



Gamagara Local Municipality
Annual Financial Statements
for the year ended June 30, 2015

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2015

General Information

Members of the council

Executive Mayor

Councillors

Hon. Cllr. D.P. Moyo

Cllr. V.L. Gorrah

Cllr. T.E. Tiroyame

Cllr. J.C. Kaars

Cllr. O.E. Hantise

Cllr. H.Du Plessis

Cllr. I. Obuseng

Cllr. P. Selonyane

Cllr. G. Vos

Cllr. J. Johnson

Grading of local authority

Grade 2

Accounting Officer

T.C Itumeleng

Chief Finance Officer (CFO)

NM. Grond

Registered office

Civic Centre

Cnr Hendrik Van Eck & Frikkie Meyer Rd

Kathu

8446

Postal address

PO Box 1001

Kathu

8446

Bankers

First National Bank

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Index

The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

Index	Page
APPROVAL OF FINANCIAL STATEMENTS	4
MEMBERS OF COUNCIL	5
Statement of Financial Position	6
Statement of Financial Performance	7
Statement of Changes in Net Assets	8
Cash Flow Statement	9
Statement of Comparison of Budget and Actual Amounts	10 - 11
Appropriation Statement	12 - 11
Accounting Policies	12 - 34
Notes to the Annual Financial Statements	35 - 91
Appendixes:	
Appendix A: Schedule of External loans	92
Appendix B: Analysis of Property, Plant and Equipment	93
Appendix D: Segmental Statement of Financial Performance	99
Appendix E(1): Actual versus Budget (Revenue and Expenditure)	100
Appendix F: Disclosure of Grants and Subsidies in terms of the Municipal Finance Management Act	101

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Index

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2015

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 1 to 110, in terms of Section 126(1) of the Municipal Finance Management Act (Act No 56 of 2003) and which I have signed on behalf of the municipality.

TC ITUMELENG
MUNICIPAL MANAGER
31 August 2015

NM GROND
CHIEF FINANCIAL OFFICER
31 August 2015

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2015

CERTIFICATION OF REMUNERATION OF COUNCILLORS

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

TC ITUMELENG
MUNICIPAL MANAGER
31 August 2015

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Statement of Financial Position as at June 30, 2015

Figures in Rand	Note(s)	2015	2014 Restated*
Assets			
Current Assets			
Inventories	3	976,126	589,327
Non-current Assets Held-for-Sale	4	-	1,187,000
Consumer debtors	5	81,672,020	21,977,936
Receivables from non-exchange transactions	6	287,908,475	7,527,206
VAT receivable	7	2,206,464	8,286,619
Cash and cash equivalents	8	8,220,588	10,115,803
Operating lease asset	9	108,280	116,954
		381,091,953	49,800,845
Non-Current Assets			
Property, plant and equipment	10	869,473,691	858,135,242
Intangible assets	11	3,364,042	1,133,385
Investment property	12	160,430,526	160,430,526
Heritage assets	13	74,581	74,581
		1,033,342,840	1,019,773,734
Total Assets		1,414,434,793	1,069,574,579
Liabilities			
Current Liabilities			
Consumer deposits	14	5,709,474	4,639,486
Provisions	15	1,931,729	1,586,066
Payables from exchange transactions	16	333,093	800,761
Taxes and transfers payable (non-exchange)	17	34,333,138	15,249,672
DBSA Loans	18	3,802,618	4,422,608
Unspent conditional grants and receipts	19	1,532,206	1,217,129
Bank overdraft	8	27,993,179	30,106,446
		75,635,437	58,022,168
Non-Current Liabilities			
DBSA Loans	18	25,435,357	29,237,975
Employee benefit obligation	20	37,307,192	33,041,231
Provisions	15	4,517,325	4,092,456
		67,259,874	66,371,662
Total Liabilities		142,895,311	124,393,830
Net Assets		1,271,539,482	945,180,749
Accumulated surplus	21	1,271,539,481	945,180,751

* See Note 43 & 58

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Statement of Financial Performance

Figures in Rand	Note(s)	2015	2014 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	28	269,758,997	209,614,317
Rental of facilities and equipment	29	253,651	396,861
Interest received	30	1,120,196	448,263
Agency services	25	2,473,165	2,475,622
Other income	31	2,482,673	5,978,948
Total revenue from exchange transactions		276,088,682	218,914,011
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	22	391,502,832	23,622,888
Licences and permits	24	830,150	1,055,089
Transfer revenue			
Government grants & subsidies	26	48,499,917	55,384,448
Public contributions and donations	27	6,408,237	31,199,640
Fines, Penalties and Forfeits	23	362,648	775,204
Total revenue from non-exchange transactions		447,603,784	112,037,269
Total revenue		723,692,466	330,951,280
Expenditure			
Employee related costs	32	(103,681,432)	(83,936,489)
Remuneration of councillors	33	(2,793,291)	(2,637,252)
Depreciation and amortisation	34	(58,213,895)	(54,479,889)
Impairment loss	35	(66,635,371)	(9,723,814)
Finance costs	37	(3,352,373)	(3,983,550)
Repairs and maintenance	36	(15,700,946)	(38,975,804)
Bulk purchases	38	(96,890,964)	(82,153,528)
Contracted services	39	(6,338,482)	(4,901,459)
Transfers and Subsidies	40	(9,502,478)	(9,379,499)
General Expenses	41	(34,224,503)	(23,608,112)
Total expenditure		(397,333,735)	(313,779,396)
Operating surplus		326,358,731	17,171,884
Loss on disposal of assets and liabilities	42	-	(525,392)
Surplus for the year		326,358,731	16,646,492

* See Note 43 & 58

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	930,252,330	930,252,330
Adjustments		
Prior year adjustments	(1,718,071)	(1,718,071)
Balance at July 01, 2013 as restated*	928,534,259	928,534,259
Changes in net assets		
Surplus for the year	16,646,492	16,646,492
Total changes	16,646,492	16,646,492
Restated* Balance at July 01, 2014	945,180,750	945,180,750
Changes in net assets		
Surplus for the year	326,358,731	326,358,731
Total changes	326,358,731	326,358,731
Balance at June 30, 2015	1,271,539,481	1,271,539,481
Note(s)		

* See Note 43 & 58

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Cash Flow Statement

Figures in Rand	Note(s)	2015	2014 Restated*
Cash flows from operating activities			
Receipts			
Property rates		111,514,684	23,482,333
Service charges		205,246,656	203,745,002
Grants		48,431,830	55,380,228
Interest income		1,120,196	446,076
Other receipts		6,401,787	17,751,440
Public Contributions and Donations	27	11,192,328	31,245,461
		<u>383,907,481</u>	<u>332,050,540</u>
Payments			
Employee costs		(98,162,327)	(74,948,871)
Suppliers		(124,283,706)	(132,291,025)
Finance costs		(3,352,373)	(3,983,550)
Other payments		(80,079,121)	(33,917,382)
Remuneration of Councillors		(2,793,291)	(2,637,252)
		<u>(308,670,818)</u>	<u>(247,778,080)</u>
Net cash flows from operating activities	44	<u>75,236,663</u>	<u>84,272,460</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(67,711,407)	(79,560,357)
Purchase of other intangible assets	11	(2,884,596)	(278,338)
Net cash flows from investing activities		<u>(70,596,003)</u>	<u>(79,838,695)</u>
Cash flows from financing activities			
Repayment of Borrowings		(4,422,609)	(4,011,996)
Net cash flows from financing activities		<u>(4,422,609)</u>	<u>(4,011,996)</u>
Net increase/(decrease) in cash and cash equivalents		218,051	421,769
Cash and cash equivalents at the beginning of the year		(19,990,642)	(20,412,412)
Cash and cash equivalents at the end of the year	8	<u>(19,772,591)</u>	<u>(19,990,643)</u>

* See Note 43 & 58

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Statement of Comparison of Budget and Actual Amounts

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	217,931,433	73,000,000	290,931,433	269,758,997	(21,172,436)	
Rental of facilities and equipment	715,336	-	715,336	253,651	(461,685)	
Interest received	500,000	-	500,000	1,120,196	620,196	
Agency services	2,177,465	-	2,177,465	2,473,165	295,700	
Licences and permits	872,437	3,530	875,967	830,150	(45,817)	
Other income	2,680,466	-	2,680,466	2,482,673	(197,793)	
Total revenue from exchange transactions	224,877,137	73,003,530	297,880,667	276,918,832	(20,961,835)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	396,607,633	(218,804,188)	177,803,445	391,502,832	213,699,387	
Transfer revenue						
Government grants & subsidies	44,885,121	-	44,885,121	48,499,917	3,614,796	
Public contributions and donations	51,500,000	-	51,500,000	6,408,237	(45,091,763)	
Fines, Penalties and Forfeits	314,374	-	314,374	362,648	48,274	
Total revenue from non-exchange transactions	493,307,128	(218,804,188)	274,502,940	446,773,634	172,270,694	
Total revenue	718,184,265	(145,800,658)	572,383,607	723,692,466	151,308,859	
Expenditure						
Personnel	(111,418,580)	-	(111,418,580)	(103,681,432)	7,737,148	
Remuneration of councillors	(2,890,272)	-	(2,890,272)	(2,793,291)	96,981	
Depreciation and amortisation	(53,820,123)	-	(53,820,123)	(58,213,895)	(4,393,772)	
Impairment loss/ Reversal of impairments	(6,848,594)	-	(6,848,594)	(66,635,371)	(59,786,777)	
Finance costs	(3,773,618)	-	(3,773,618)	(3,352,373)	421,245	
Repairs and maintenance	(18,152,415)	(81,296)	(18,233,711)	(15,700,946)	2,532,765	
Bulk purchases	(111,220,611)	-	(111,220,611)	(96,890,964)	14,329,647	
Contracted Services	(6,533,957)	-	(6,533,957)	(6,338,482)	195,475	
Transfers and Subsidies	(6,064,000)	(8,544,551)	(14,608,551)	(9,502,478)	5,106,073	
General Expenses	(44,336,435)	-	(44,336,435)	(34,224,504)	10,111,931	
Total expenditure	(365,058,605)	(8,625,847)	(373,684,452)	(397,333,736)	(23,649,284)	
Surplus before taxation	353,125,660	(154,426,505)	198,699,155	326,358,730	127,659,575	
Surplus for the year from continuing operations	353,125,660	(154,426,505)	198,699,155	326,358,730	127,659,575	
Discontinued operations	(1,685,364)	-	(1,685,364)	-	1,685,364	

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	351,440,296	(154,426,505)	197,013,791	326,358,730	129,344,939	

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Accounting Policies

1. Basis of presentation

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention, except where indicated otherwise.

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Companies Act, 71 of 2008.

1.1 Changes in accounting policy and comparability

Accounting Policies have been consistently applied, except where otherwise indicated below:

For the years ended 30 June 2014 and 30 June 2015 the municipality has adopted the accounting framework as set out in point 1 above. The details of any resulting changes in accounting policy and comparative restatements are set out below.

The municipality changes an Accounting Policy only in the following instances:

- (a) if it is required by a Standard of GRAP; or
- (b) when it results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flow.

1.2 Critical judgements, estimations and assumptions

In the application of the municipality's accounting policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and estimations that management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

1.2.1 Revenue recognition

Accounting Policy 9.2 on Revenue from Exchange Transactions and Accounting Policy 9.3 on Revenue from Nonexchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from non-exchange transactions. In particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. Management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.2.2 Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management. Accounting Policy 6.1 on Financial Assets Classification and Accounting Policy 6.2 on Financial Liabilities Classification describe the factors and criteria considered by the management of the municipality in the classification of financial assets and liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in GRAP 104: Financial Instruments .

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Accounting Policies

1.2 Critical judgements, estimations and assumptions (continued)

1.2.3 Impairment of financial assets

Accounting Policy 6.4 on Impairment of Financial Assets describes the process followed to determine the value at which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: Financial Instruments and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that the impairment of financial assets recorded during the year is appropriate.

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors. The total increase in estimation of the impairment of trade and other receivables from exchange transactions is disclosed in note 5 to the AFS.

1.2.4 Useful lives of property, plant and equipment, intangible assets and investment property

As described in Accounting Policies 2.3 and 3.2 the municipality depreciates its property, plant and equipment and amortises its intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives of assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate.

The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

1.2.5 Impairment: Write down of property, plant and equipment, investment property, intangible assets, heritage assets and inventories

Accounting Policy 5 on Impairment of assets Accounting Policy 7.2 on Inventory - Subsequent measurement describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to property, plant and equipment impairment testing, Intangible assets impairment testing and write down of Inventories to the lowest of Cost and Net Realisable Values.

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21: Impairment of non-Cash generating Assets and GRAP 26: Impairment of Cash generating Assets. In particular, the calculation of the recoverable service amount for PPE and intangible assets and the Net Realisable Value for inventories involves significant judgment by management. During the year the estimated impairments to property, plant and equipment made are disclosed in note 10 to the AFS, whilst no impairments were made to intangible assets or inventory.

1.2.6 Water inventory

The estimation of the water stock in the reservoirs is based on actual dip readings or the measurement of water via electronic level sensors, where the level indicates the depth of the water in the reservoir, which is then converted into volumes based on the total capacity of the relevant reservoir. Furthermore the length and width of all pipes are also taken into account in determining the volume of water on hand at year-end.

1.2.7 Defined Benefit Plan Liabilities

As described in Accounting Policy 11.2, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Note 20 to the Annual Financial Statements.

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Accounting Policies

1.2 Critical judgements, estimations and assumptions (continued)

1.2.8 Provisions and contingent liabilities

Provision for Rehabilitation of Refuse Landfill Sites

The Municipality has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for this obligation based on the net present value of cost. The cost factors as determined have been applied and projected at an inflation rate of 6% and discounted to the net present value at 5.4%.

1.2.9 Budget information

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in the notes to the annual financial statements.

1.3 Presentation currency

These annual financial statements are presented in South African Rand, rounded off to the nearest Rand, which is the functional currency of the municipality.

1.4 Going concern assumption

The Annual Financial Statements have been prepared on a going concern basis.

1.5 Offsetting

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1.6 Property, plant and equipment

1.6.1 Initial recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Accounting Policies

1.6 Property, plant and equipment (continued)

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for X,X and X which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Accounting Policies

1.6 Property, plant and equipment (continued)

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

1.6.2 Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment losses.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in the Statement of Financial Performance when the compensation becomes receivable.

1.6.3 Depreciation

Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. The depreciation rates are based on the following estimated useful lives.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Years
Infrastructure		
Electricity	Straight line	3 -55
Roads and paving	Straight line	3 - 100
Sanitation	Straight line	7 - 55
Sewearge	Straight line	7 - 100
Water	Straight line	5 - 100
Community		
Community facilities	Straight line	5 - 60
Recreational facilities	Straight line	10 - 60
Buildings		
Improvements	Straight line	5 - 100
Other		
Bins and containers	Straight line	5 - 15
Computer equipment	Straight line	3 - 10
Emergency equipment	Straight line	3 - 10
Furniture nd fittings	Straight line	3 - 15
Motor vehicles	Straight line	4 - 15
Office equipment	Straight line	3 -15
Pland and equipment	Straight line	2 - 15
Specialised vehicles	Straight line	10 - 20
Other assets	Straight line	25 - 30

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Accounting Policies

1.6 Property, plant and equipment (continued)

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.6.4 Incomplete construction work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

1.6.5 Finance leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

1.6.6 Land

Land is not depreciated as it is deemed to have an indefinite useful life.

1.6.7 Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the Asset Management Policy.

1.6.8 Derecognition of property, plant and equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in the Statement of Financial Performance when the item is derecognised.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Accounting Policies

1.7 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Intangible	Years
Software	2 - 5

1.8 Investment property

1.8.1 Initial Recognition

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Accounting Policies

1.8 Investment property (continued)

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

1.8.2 Subsequent Measurement - Fair Value Model

Investment property is measured using the fair value model. Investment property is carried at fair value, representing open market value determined by external valuers at the date of the last general valuation. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. A gain or loss arising from a change in the fair value of investment property is included in the Statement of Financial Performance for the period in which it arises.

1.8.3 Derecognition

An investment property shall be derecognised (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Accounting Policies

1.9 Impairment of assets

The entity classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. All other assets are classified as non-cash-generating assets.

1.9.1 Impairment of Cash generating assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the individual asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arm's length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

An impairment of assets carried at revalued amount in reduces the revaluation surplus for that asset. The decrease shall be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets included in the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

1.9.2 Impairment of Non-Cash generating assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use.

The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Accounting Policies

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for non-cash generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- To the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.10 Financial instruments

The municipality has various types of financial instruments and these can be broadly categorised as either financial assets, financial liabilities or residual interests in accordance with the substance of the contractual agreement. The municipality only recognises a financial instrument when it becomes a party to the contractual provisions of the instrument.

Initial recognition

Financial assets and financial liabilities are recognised on the entity's Statement of Financial Position when the entity becomes party to the contractual provisions of the instrument.

The municipality does not offset a financial asset and a financial liability unless a legally enforceable right to set off the recognised amounts currently exist; and the municipality intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Accounting Policies

1.10 Financial instruments (continued)

Financial asset - Classification

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another entity.

In accordance with GRAP 104 the Financial Assets of the municipality are classified as follows into the three categories allowed by this standard:

- Financial Asset at fair value
- Financial Asset at fair amortised cost
- Financial Asset at cost

Financial asset at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets. Financial asset at amortised cost are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. After initial recognition Financial Assets are measured at amortised cost, using the effective interest rate method less a provision for impairment.

The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of financial asset	Classification in terms of GRAP 104
Short term investment deposit -call	Financial asset measured at amortised cost
Bank balances and cash	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Investments in fixed deposits	Financial asset measured at amortised cost

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: Financial asset at amortised cost.

Financial liabilities - Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity.

There are three main categories of Financial Liabilities, the classification determining how they are measured. Financial liabilities may be measured at:

- (i) Financial liabilities measured at fair value or
- (ii) Financial liabilities measured at amortised cost
- (iii) Financial liabilities measured at cost

The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position:

Type of financial liabilities	Classification in terms of GRAP 104
Long term liabilities	Financial liability measured at amortised cost
Creditors	Financial liability measured at amortised cost
Bank overdraft	Financial liability measured at amortised cost
Current portion of long term liabilities	Financial liability measured at amortised cost

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Accounting Policies

1.10 Financial instruments (continued)

Initial and subsequent measurement

Financial Assets:

Financial asset at amortised cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with interest recognised on an effective yield basis.

Trade and other receivables (excluding Value Added Taxation, prepayments and operating lease receivables), loans to Municipality entities and loans that have fixed and determinable payments that are not quoted in an active market are classified as Financial asset at amortised cost.

Financial Liabilities:

Financial liabilities measured at fair value

Financial liabilities measured at fair value are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Financial Liabilities measured at amortised cost

Any other financial liabilities are classified as "Other financial liabilities" (All payables, loans and borrowings are classified as other liabilities) and are initially measured at fair value, net of transaction costs. Trade and other payables, interest bearing debt including finance lease liabilities, non-interest bearing debt and bank borrowings are subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Prepayments are carried at cost less any accumulated impairment losses.

Impairment of Financial Assets

Financial assets, other than those measured at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

Financial assets carried at amortised cost

Accounts receivable from exchange & non-exchange transactions encompasses consumer debtors and other debtors.

Initially Accounts Receivable are valued at fair value plus transaction costs and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of accounts receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with GRAP 104 whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

Government accounts are not provided for as such accounts are regarded as receivable.

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Accounting Policies

1.10 Financial instruments (continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets carried at amortised cost with the exception of consumer debtors, where the carrying amount is reduced through the use of an allowance account. When a consumer debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

Derecognition

Financial assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non-recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

The municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

1.11 Inventories

Initial Recognition

Inventories comprise current assets held for sale, current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Direct costs relating to properties that will be sold as inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

Subsequent Measurement

Consumable stores, raw materials, work-in-progress and finished goods

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value (net amount that an entity expects to realise from the sale on inventory in the ordinary course of business). The cost is determined using the weighted average cost of commodities.

Water inventory

Water is regarded as inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc.). However, water in dams, that are filled by natural resources and that has not yet been treated, and is under the control of the municipality but cannot be measured reliably as there is no cost attached to the water, and it is therefore not recognised in the Statement of Financial Position.

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Accounting Policies

1.11 Inventories (continued)

The basis of determining the cost of water purchased and not yet sold at Statement of Financial Position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates.

Water and purified effluent are valued by using the FIFO method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

Unsold properties

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development. Cost also includes a portion of overhead costs, if this relates to development.

Redundant and slow-moving inventories

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the measurement of such inventory at the lower of cost and net realisable value are recognised in the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory

1.12 Revenue

General

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided. Revenue is recognised when it is probable that future economic benefits or service potential will flow to the municipality and these benefits can be measured reliably, except when specifically stated otherwise.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

1.13 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Accounting Policies

1.13 Revenue from exchange transactions (continued)

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been met:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Service charge

Service charges relating to solid waste, sanitation and sewage are levied in terms of the approved tariffs..

Service charges relating to electricity and water are based on consumption. Meters are normally read on a monthly basis and are recognised as revenue when invoiced. Where meters are not read monthly, provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

Pre-paid Electricity

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale. An adjustment for an unutilised portion is made at year-end based on the average consumption history.

Finance income

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

Tariff Charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

Income from Agency Services

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Sale of Goods (including Houses)

Revenue from the sale of goods is recognised when all the following conditions have been met:

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Accounting Policies

1.13 Revenue from exchange transactions (continued)

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rentals

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Dividends

Dividends are recognised on the date that the municipality becomes entitled to receive the dividend in accordance with the substance of the relevant agreement, where applicable.

Royalties

Royalties are recognised on an accrual basis in accordance with the substance of the relevant agreement. Royalties determined on a time basis are recognised on a straight-line basis over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognised by reference to the underlying arrangement.

1.14 Revenue from non-exchange transactions

An inflow of resources from a non-exchange transaction, that meets the definition of an asset shall be recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the fair value of the asset can be measured reliably. The asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

A present obligation arising from a non-exchange transaction that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

Rates and taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

Fines

Revenue from the issuing of fines is recognised when it is probable that the economic benefits or service potential will flow to the entity and the amount of the revenue can be measured reliably.

Fines consist of spot fines and summonses. Revenue for fines is recognised when the fine is issued at the full amount of the receivable.

Assessing and recognising impairment is an event that takes place subsequent to the initial recognition of revenue charged. An entity assesses the probability of collecting revenue when accounts fall into arrears. Such an assessment is not be made at the time of initial recognition.

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Accounting Policies

1.14 Revenue from non-exchange transactions (continued)

Government grants

Equitable share allocations are recognised in revenue at the start of the financial year if no time-based restrictions exist.

Conditional Grants and receipts

Conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

Revenue is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

Public contributions

Donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

Assets acquired in non-exchange transactions are measured at fair value in accordance with the Standards of GRAP.

Revenue From Recovery Of Unauthorised, Irregular, Fruitless And Wasteful Expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

1.15 Provisions

Provisions are recognised when the municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

The best estimate of the expenditure required to settle the present obligation is the amount that an entity would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the entity, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances, Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Accounting Policies

1.15 Provisions (continued)

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

Provision for the rehabilitation of landfill sites

The Municipality has an obligation to rehabilitate its Landfill Sites in terms of its license stipulations and a provision has been established accordingly. The amount of the provision is recognised at the present value of the expenditure expected to settle the obligation and is carried at amortised cost. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets.

1.16 Employee benefits

Short-term employee benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The municipality treats its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

Defined contribution plans

A defined contribution plan is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Accounting Policies

1.16 Employee benefits (continued)

Post retirement health care benefits

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out annually by independent qualified actuaries.

Actuarial gains or losses recognised immediately in the Statement of Financial Performance.

Past-service costs are recognised immediately in the Statement of Financial Performance.

Post-Employment Benefits

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post-employment plans.

Long-Service Allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

Provincially-Administered Defined Benefit Plans

The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. These funds are multi-employer funds (refer to Note 50 of the Annual Financial Statements for details). The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the Projected Unit Credit Method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

Defined Benefit Pension Plans

The municipality has an obligation to provide Post-retirement pension Benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The Entity contributes monthly to the funds.

The liability recognised in the Statement of Financial Position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains or losses recognised immediately in the Statement of Financial Performance.

Past-service costs are recognised immediately in the Statement of Financial Performance.

The municipality changed its accounting policy from IAS 19 to GRAP 25 with no effect on the financial information disclosed previously

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Accounting Policies

1.17 Leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

Lease Classification

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality.

Leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

The Municipality As Lessor

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

1.18 Grants-in-aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

1.19 Value added tax

The Municipality is registered with SARS for VAT on the payments basis, in accordance with Section 15(2)(a) of the Value-Added Tax Act No 89 of 1991.

1.20 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.21 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.22 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Accounting Policies

1.23 Changes in accounting policies, estimates and errors

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to note 42 for details of changes in accounting policies.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to Note 43 to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

1.24 Related parties

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the councillors, Executive Mayor, Mayoral Committee members, Municipal Manager, executive directors and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

1.25 Events after reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

1.26 Comparative figures

Prior Year Comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

Budget Information

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the accounting policies adopted by the Council for the preparation of these financial statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the notes to the annual financial statements giving firstly reasons for overall growth or decline in the budget and secondly motivations for over- or underspending on line items. The annual budget figures included in the financial statements are for the Municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated development plan. The budget is approved on an accrual basis by nature classification. The approved budget covers the period from 1 July 2013 to 30 June 2014.

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Accounting Policies

1.27 Contingent assets and contingent liabilities

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefit

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

1.28 Treatment of administration and other overhead expenses

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

1.29 Capital commitments

Items are classified as commitments where the Municipality commits itself to future transactions that will normally result in the outflow of resources.

Capital commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes in the following cases:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.
- Other commitments for contracts are non-cancellable or only cancellable at significant cost contracts should relate to something other than the business of the municipality.

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Accounting Policies

1.30 Site restoration (Landfill site)

The Municipality has an obligation to rehabilitate its Landfill Sites in terms of its license stipulations and a provision has been established accordingly. The net present value of the rehabilitation cost of land-fill sites has been determined as at 30 June 2014 by a technical specialist, D.B. Grobler, (Prof. associated valuer & appraiser). The amount of the provision is recognised at the present value of the expenditure expected to settle the obligation and is carried at amortised cost. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets.

Major assumptions concerning future events

The cost estimate for construction works to be performed for the closure and rehabilitation of an existing disposal site include the following assumptions made by the technical specialist:

- a) The consolidation of "old" waste in the cell and filling of voids with builders rubble or other waste permissible for disposal at the site.
- b) Doming the entire site in such a way to prevent the formation of pools due to rain, to ensure free surface runoff of rain water.
- c) Capping the site in accordance with the capping design requirements as stipulated in the Minimum Requirements for Closure for the various classes of disposal sites;
- d) Rehabilitating the site in accordance with the end-use plan e.g. grassing, sport field etc.

Lifespan of the site:

- a) Olifantshoek:

The payment dates of the total closure and rehabilitation are uncertain, but are currently expected to be in 2033 (within the next 19 years).

- b) Deben:

The payment dates of the total closure and rehabilitation are uncertain, but are currently expected to be in 2023 (within the next 9 years).

1.31 Consumer deposits

Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account. No interest is paid on Consumer Deposits held. Consumer deposits are held in the municipality's primary bank account and available for immediate release.

Classification in terms of GRAP 104:

Financial liability at fair value

Financial Liabilities measured at fair value

Financial liabilities measured at fair value are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after July 01, 2015 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none">• GRAP 18: Segment Reporting• GRAP 105: Transfers of functions between entities under common control• GRAP 106: Transfers of functions between entities not under common control• GRAP 107: Mergers• GRAP 20: Related parties• IGRAP 11: Consolidation – Special purpose entities• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures• GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements• GRAP 7 (as revised 2010): Investments in Associates• GRAP 8 (as revised 2010): Interests in Joint Ventures• GRAP32: Service Concession Arrangements: Grantor• GRAP108: Statutory Receivables• IGRAP17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset• DIRECTIVE 11: Changes in measurement bases following the initial adoption of Standards of GRAP	<ul style="list-style-type: none">April 01, 2015April 01, 2015April 01, 2015April 01, 2015April 01, 2016April 01, 2015April 01, 2015April 01, 2015April 01, 2015April 01, 2015April 01, 2015April 01, 2015April 01, 2015April 01, 2016April 01, 2016April 01, 2016April 01, 2016April 01, 2016	

The aggregate impact of the initial application of the statements and interpretations on the municipality's annual financial statements is expected to be as follows:

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
3. Inventories		
Pothole mix	13,950	13,950
Fuel (Diesel, Petrol)	761,788	398,599
Water	200,388	176,778
Total Inventories	976,126	589,327

The cost of water production for the year amounted to R 10.33 per kilolitre (2014: R 8.86 per kilolitre). Raw water purchased from Kumba Iron Ore amounts to 6c per kilolitre.

The cost of fuel and consumables recognised as an expense during the year amounted to R 2 811 778.59 (2014: R 3 893 006).

No Inventories have been pledged as collateral for Liabilities of the municipality.

4. Non-current Assets Held-for-Sale

Property Held-for-Sale - at cost	-	1,187,000
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4.1 Property Held-for-Sale

The municipality reclassified the assets previously disclosed as non current assets held for sale to form part of property, plant and equipment, this was done in accordance to the requirements of the provisions of GRAP 100 (Discontinued operations).

5. Receivables from Exchange Transactions

Gross balances

Electricity	38,716,999	11,161,914
Water	45,950,059	16,308,514
Sewerage	9,118,483	4,995,537
Refuse	16,933,036	12,444,349
Other	1,766,499	1,676,849
	112,485,076	46,587,163

Less: Allowance for impairment

Electricity	(11,219,881)	(3,629,828)
Water	(12,207,606)	(8,729,228)
Sewerage	(286,190)	(1,372,891)
Refuse	(7,003,434)	(9,537,762)
Other	(95,946)	(1,339,518)
	(30,813,057)	(24,609,227)

Net balance

Electricity	27,497,118	7,532,086
Water	33,742,453	7,579,286
Sewerage	8,832,293	3,622,646
Refuse	9,929,602	2,906,587
Other	1,670,554	337,331
	81,672,020	21,977,936

Receivables from Exchange Transactions are billed monthly, latest end of month. No interest is charged on Receivables as per the municipality's credit control policy.

Receivables from Exchange Transactions have been restated to account for corrections of prior year balances. Refer to Note 58 on "Correction of Error" for details of the restatement.

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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5. Receivables from Exchange Transactions (continued)

At 30 June 2015, the municipality is owed R 6 769 228 (30 June 2014: R2 045 277) by National and Provincial Government.

The municipality did not pledge any of its Receivables as security for borrowing purposes.

The management of the municipality is of the opinion that the carrying value of Receivables approximate their fair values.

The fair value of Receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and Receivables as well as the current payment ratios of the municipality's Receivables.

5.1 Ageing of Receivables from Exchange Transactions

Electricity

Current (0 -30 days)	8,895,238	4,008,237
31 - 60 days	3,109,498	1,271,198
61 - 90 days	4,474,425	1,056,434
91 - 120 days	11,017,957	1,196,217
	27,497,118	7,532,086

Water

Current (0 -30 days)	4,876,471	4,042,926
31 - 60 days	4,326,153	1,369,685
61 - 90 days	6,432,337	863,533
91 - 120 days	18,107,492	1,303,142
	33,742,453	7,579,286

Sewerage

Current (0 -30 days)	1,555,173	1,309,146
31 - 60 days	1,451,720	1,007,466
61 - 90 days	1,313,738	1,172,283
91 - 120 days	4,511,662	133,751
	8,832,293	3,622,646

Refuse

Current (0 -30 days)	1,415,442	1,178,567
31 - 60 days	928,761	565,609
61 - 90 days	741,238	469,761
91 - 120 days	6,844,161	692,650
	9,929,602	2,906,587

Other

Current (0 -30 days)	44,614	201,213
31 - 60 days	27,519	92,294
61 - 90 days	16,702	14,626
91 - 120 days	1,581,719	29,198
	1,670,554	337,331

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
5. Receivables from Exchange Transactions (continued)		
5.2 Summary of debtors by customer classification		
Household		
Current (0 -30 days)	9,468,843	3,544,334
31 - 60 days	5,989,054	2,328,415
61 - 90 days	7,980,471	1,575,631
+90 days	70,461,433	22,809,105
	93,899,801	30,257,485
Less: Allowance for impairment	(29,500,275)	(20,639,727)
	64,399,526	9,617,758
Industrial/ commercial		
Current (0 -30 days)	1,621,557	6,777,245
31 - 60 days	1,139,594	1,880,883
61 - 90 days	1,640,013	1,925,697
+90 days	8,081,515	3,973,653
	12,482,679	14,557,478
Less: Allowance for impairment	(1,312,782)	(3,166,515)
	11,169,897	11,390,963
National and provincial government		
Current (0 -30 days)	523,130	405,662
31 - 60 days	466,002	150,761
61 - 90 days	390,832	156,761
+90 days	4,723,421	1,011,747
	6,103,385	1,724,931
Less: Allowance for impairment	-	(802,984)
	6,103,385	921,947
Total		
Current (0 -30 days)	11,612,740	10,774,798
31 - 60 days	7,594,650	4,360,058
61 - 90 days	10,011,317	3,657,801
+90 days	83,266,369	27,794,505
	112,485,076	46,587,162
Less: Allowance for impairment	(30,813,057)	(24,609,225)
	81,672,019	21,977,937
Less: Allowance for impairment		
Current (0 -30 days)	(6,767)	(34,707)
31 - 60 days	(9,079)	(53,806)
61 - 90 days	(9,216)	(81,165)
+90 days	(30,787,994)	(24,439,548)
	(30,813,056)	(24,609,226)

5.3 Reconciliation of the Provision for Impairment

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
5. Receivables from Exchange Transactions (continued)		
Reconciliation of allowance for impairment		
Balance at beginning of the year	24,609,226	20,220,847
Impairment Losses recognised	10,564,444	7,218,893
Amounts written off as uncollectable	(4,360,614)	(2,830,514)
	30,813,056	24,609,226

In determining the recoverability of Receivables, the municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of Receivables has been made for all consumer balances outstanding based on the payment ratio over 12 months per service type. No further credit provision is required in excess of the Provision for Impairment.

No provision has been made in respect of government debt as these amounts are considered to be fully recoverable. The municipality holds collateral over these balances in the form of Consumer Deposits / Guarantees, which are not covering the total outstanding debt and vacant property respectively.

5.4 Derecognition of Financial Assets

No Financial Assets have been transferred to other parties during the year.

6. Receivables from non-exchange transactions

Assessment Rates Debtors - Gross	348,620,301	12,625,425
Assessment Rates Debtors - Provision for impairment	(64,820,632)	(8,813,904)
Sundry Deposits	492,096	1,091,844
Suspense Accounts	3,616,710	2,623,841
	287,908,475	7,527,206

Receivables from Non-exchange Transactions have been restated to account for corrections of prior year balances. Refer to Note 58 on "Correction of Error" for details of the restatement.

The new valuation roll was implemented with effect from 1 July 2014. The valuation of particularly mining properties increased significantly due to the sale of mining land, which raised the benchmark pricing of all properties. As a result of this adjustment the rates billed increased and causes the outstanding receivables to be at a high level..

Sundry Deposits are in respect of cash deposits made to Eskom for the supply of electricity.

The municipality does not hold deposits or other security for its Receivables.

None of the Receivables have been pledged as security for the municipality's financial liabilities.

6.1 Ageing of Receivables from Non-exchange Transactions

Assessment Rates Debtors - Gross

Current (0 -30 days)	17,182,613	2,143,085
31 - 60 days	15,895,364	634,941
61 - 90 days	15,375,222	462,476
+ 90 Days	300,167,102	9,384,923
	348,620,301	12,625,425

Assessment Rates Debtors - Provision for impairment

Current (0 -30 days)	(695)	(9,167)
31 - 60 days	(125)	(5,175)
61 - 90 days	(161)	(6,021)
+ 90 Days	(64,819,651)	(8,793,541)
	(64,820,632)	(8,813,904)

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
Sundry Deposits		
Current (0 -30 days)	492,096	1,091,844
Suspense Accounts		
Current (0 -30 days)	3,616,710	2,623,841
6.2 Summary of debtors by customer classification		
Household		
Current (0 -30 days)	2,159,640	925,476
31 - 60 days	1,294,056	381,233
61 - 90 days	1,098,340	248,407
+90 days	14,556,262	3,552,395
	19,108,298	5,107,511
Less: Allowance for impairment	(7,278,563)	(3,272,181)
	11,829,735	1,835,330
Industrial/ commercial		
Current (0 -30 days)	12,012,619	1,195,254
31 - 60 days	13,870,113	235,145
61 - 90 days	13,496,062	196,061
+90 days	289,423,128	5,571,338
	328,801,922	7,197,798
Less: Allowance for impairment	(57,542,069)	(5,311,314)
	271,259,853	1,886,484
National and provincial government		
Current (0 -30 days)	30,044	22,872
31 - 60 days	30,044	18,562
61 - 90 days	26,433	18,008
+90 days	579,322	261,191
	665,843	320,633
Less: Allowance for impairment	-	(230,409)
	665,843	90,224
Total		
Current (0 -30 days)	14,202,302	2,143,602
31 - 60 days	15,194,213	634,941
61 - 90 days	14,620,835	462,476
+90 days	304,558,712	9,384,923
> 365 days	4,153,045	-
	352,729,107	12,625,942
Less: Allowance for impairment	(64,820,632)	(8,813,904)
	287,908,475	3,812,038
Reconciliation of provision for impairment of receivables from non-exchange transactions		
Opening balance	8,813,904	7,155,732
Impairment Losses recognised	56,070,927	1,698,665
Amounts written off as uncollectible	(64,199)	(40,493)
	64,820,632	8,813,904

The Provision for Impairment was calculated after grouping all the financial assets of similar nature and risk ratings and assessing the recoverability.

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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In determining the recoverability of a Rates Assessment Debtor and Receivables from Non-exchange Transactions, the municipality considers any change in the credit quality of the Rates Assessment Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

No Provision for Impairment has been made in respect of government debt as these amounts are considered to be fully recoverable. The municipality holds collateral over these balances in the form of Rates Assessment Deposits / Guarantees, which are not covering the total outstanding debt and vacant property respectively.

Furthermore, no Provision for Impairment was calculated on Receivables other than Assessment Rates Debtors as the management is of the opinion that all Receivables are recoverable within normal credit terms.

7. VAT receivable

VAT	2,206,464	8,286,619
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Vat is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

8. Cash and cash equivalents

Cash and Cash Equivalents	1,800	1,800
Current Investments	8,218,788	10,114,003
Bank overdraft	(27,993,179)	(30,106,446)
	(19,772,591)	(19,990,643)
Current assets	8,220,588	10,115,803
Current liabilities	(27,993,179)	(30,106,446)
	(19,772,591)	(19,990,643)

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.

8.1 Current Investment Deposits

Short-term deposits	8,218,788	10,114,003
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The prior year amount for Cash and cash equivalents has been restated to account for all bank accounts at year-end. Refer to Note 58 on "Correction of Error" for details of the restatement

Call Deposits are investments with a maturity period of less than 3 months and earn interest at rates varying from 1% to 3.9% per annum.

Deposits of R 1 995 895 (2014: R 4 356 908) are ring-fenced and attributable to Unspent Conditional Grants.

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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8. Consumer debtors disclosure (continued)

8.2 Bank Accounts

Bank overdraft	(27,993,179)	(30,106,446)
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The Municipality has the following bank account:

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2015	June 30, 2014	June 30, 2013
FIRST NATIONAL BANK - Account Number 53668 006 069	6,177,266	7,401,891	11,547,734	(27,993,179)	(30,159,496)	(22,912,836)

The municipality does not have any overdrawn current account facilities with its banker and therefore does not incur interest on overdrawn current accounts. Interest is earned at different rates per annum on favourable balances.

8.3 Cash and Cash Equivalents

Cash Floats and Advances	1,800	1,800
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The municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities.

No restrictions have been imposed on the municipality in terms of the utilisation of its Cash and Cash Equivalents.

The management of the municipality is of the opinion that the carrying value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

9. Operating Lease Receivables

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases the following assets have been recognised:

Balance at beginning of year	116,954	129,045
Operating Lease Revenue recorded	267,588	261,126
Operating Lease Revenue effected	(276,262)	(273,217)
	108,280	116,954

9.1 Leasing Arrangements

The Municipality as Lessor:

Operating Leases relate to Property owned by the municipality with lease terms of between 1 to 15 (2014: 1 to 15) years, with an option to extend. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period. Additional text

9.2 Amounts receivable under Operating Leases

At the Reporting Date the following minimum lease payments were receivable under Non-cancellable Operating Leases for Property, Plant and Equipment, which are receivable as follows:

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
Up to 1 year	252,369	252,941
2 to 5 years	453,123	476,166
More than 5 years	294,171	146,072
	999,663	875,179

The impact of charging the escalations in Operating Leases on a straight-line basis over the term of the lease has been an decrease of R 8 674 (2014: increase of R12 091) in current year income.

The following restrictions have been imposed by the municipality in terms of the lease agreements:

- (i) The lessee shall not have the right to sublet, cede or assign the whole or any portion of the premises let.
- (ii) The lessor or its duly authorised agent, representative or servant shall have the right at all reasonable times to inspect the premises let.
- (iii) The lessee shall use the premises let for the sole purpose prescribed in the agreement.

9.3 Contingent Rentals

Properties have been leased to external parties during the year under review on a month to month basis or for indefinite periods. These rentals are classified as contingent rentals due to uncertain lease periods and uncertain tariff increases. The operating lease payments are therefore not subject to straight-lining. Due to the uncertainties above, it is impracticable to disclose the future minimum lease payments expected to be received for each of the following periods as required by GRAP 13.

10. Property, plant and equipment

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land and Buildings	137,337,613	(26,847,438)	110,490,175	135,182,405	(22,692,322)	112,490,083
Infrastructure	1,274,959,477	(669,858,320)	605,101,157	1,194,278,773	(626,609,758)	567,669,015
Community	133,341,157	(52,808,052)	80,533,105	128,024,793	(46,055,643)	81,969,150
Other property, plant and equipment	38,652,053	(11,133,592)	27,518,461	23,000,705	(7,729,722)	15,270,983
Capital assets under construction	45,830,793	-	45,830,793	80,736,011	-	80,736,011
Total	1,630,121,093	(760,647,402)	869,473,691	1,561,222,687	(703,087,445)	858,135,242

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Transfers	Other changes, movements	Depreciation	Total
Land and Buildings	112,490,083	968,208	-	1,187,000	(4,155,116)	110,490,175
Infrastructure	567,669,015	95,203	80,585,501	-	(43,248,562)	605,101,157
Community	81,969,150	5,316,365	-	-	(6,752,409)	80,533,106
Other property, plant and equipment	15,270,984	15,651,348	-	-	(3,403,871)	27,518,461
Capital assets under construction	80,736,011	45,680,283	(80,585,501)	-	-	45,830,793
	858,135,243	67,711,407	-	1,187,000	(57,559,958)	869,473,692

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Buildings	113,566,258	3,087,127	-	-	(4,163,302)	-	112,490,08
Infrastructure	580,475,826	741,457	-	27,574,021	(41,122,289)	-	567,669,01
Community	78,213,954	9,353,230	-	1,257,194	(6,855,228)	-	81,969,15
Other property, plant and equipment	17,489,914	1,114,756	(525,392)	-	(2,467,861)	(340,433)	15,270,98
Capital assets under construction	44,349,111	65,263,787	-	(28,876,887)	-	-	80,736,01
	834,095,063	79,560,357	(525,392)	(45,672)	(54,608,680)	(340,433)	858,135,24

The opening balance of Property, Plant and Equipment has been restated with regards to corrections made to the Asset Register that was implemented as at 30 June 2013. Refer to Note 58 on "Correction of Error" for details of the restatement.

Also refer to Appendices "B" for more detail on Property, Plant and Equipment.

10.1 Pledged as security

The municipality did not pledge any of its assets as security.

10.2 Impairment of Property, Plant and Equipment

Impairment Losses on Property, Plant and Equipment to the amount of R 0.00 (2014: R340 433) has been recognised in operating surplus and are included in Impairment Losses in the Statement of Financial Performance as indicated in Note 35.

10.3 Land and Buildings carried at Fair Value

The municipality's Land and Buildings are accounted for according to the cost model and therefore no fair value has been determined.

10.4 Calculation of Cash Flow:

Acquisitions	-	(1,881,283)
Capital under construction - Additions	(46,329,330)	(102,026,829)

11. Intangible assets

	2015			2014		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	4,738,918	(1,374,876)	3,364,042	1,854,323	(720,938)	1,133,385

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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11. Intangible assets (continued)

Reconciliation of intangible assets - 2015

	Opening balance	Additions	Amortisation	Total
Computer software, other	1,133,385	2,884,596	(653,939)	3,364,042

Reconciliation of intangible assets - 2014

	Opening balance	Additions	Amortisation	Total
Computer software, other	1,186,853	278,338	(331,806)	1,133,385

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 34).

All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Intangible Assets of the municipality.

There are no contractual obligations on Intangible Assets.

Refer to Appendix "B" for more detail on Intangible Assets.

11.1 Impairment of Intangible Assets

No impairment losses have been recognised on Intangible Assets of the municipality at the reporting date.

12. Investment property

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	160,430,526	-	160,430,526	160,430,526	-	160,430,526

Reconciliation of investment property - 2015

	Opening balance	Total
Investment property	160,430,526	160,430,526

Reconciliation of investment property - 2014

	Opening balance	Transferred to Non-current Assets Held for Sale	Total
Investment property	161,617,526	(1,187,000)	160,430,526

The opening balance of Investment Property has been restated with regards to corrections made to the Asset Register that was implemented as at 30 June 2013. Refer to Note 58 on "Correction of Error" for details of the restatement.

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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12. Investment property (continued)

All of the municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the municipality.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations on Investment Property.

Refer to Appendix "B" for more detail on Investment Property.

12.1 Impairment of Investment Property

No impairment losses have been recognised on Investment Property of the municipality at the reporting date.

13. Heritage assets

	2015			2014		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Heritage Assets	74,581	-	74,581	74,581	-	74,581

Reconciliation of heritage assets 2015

	Opening balance	Total
Heritage assets	74,581	74,581

Reconciliation of heritage assets 2014

	Opening balance	Total
Heritage assets	74,581	74,581

14. Consumer deposits

Electricity and Water	5,709,474	4,639,486
Guarantees held in lieu of Electricity and Water Deposits	20,000	20,000

Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account.

No interest is paid on Consumer Deposits held.

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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15. Provisions

Reconciliation of provisions - 2015

	Opening Balance	Additions	Total
Provision for Rehabilitation of Land-fill Sites	4,092,456	424,869	4,517,325
Long-term Service Liability	432,495	204,896	637,391
Post-retirement Medical Aid Benefits Liability	645,972	45,684	691,656
Performance Bonuses	507,599	95,083	602,682
	5,678,522	770,532	6,449,054

Reconciliation of provisions - 2014

	Opening Balance	Contributions to provision	Total
Provision for Rehabilitation of Land-fill Sites	3,764,035	328,421	4,092,456
Long-term Service Liability	331,526	100,969	432,495
Post-retirement Medical Aid Benefits Liability	530,856	115,116	645,972
Performance Bonuses	115,202	392,397	507,599
	4,741,619	936,903	5,678,522

Non-current liabilities	4,517,325	4,092,456
Current liabilities	1,931,729	1,586,066
	6,449,054	5,678,522

Performance Bonuses accrue to all section 57 employees on an annual basis, subject to certain conditions. The provision has been reversed for the previous year as no performance management system was in place resulting that no bonuses were accrued at the reporting date.

Rehabilitation of Land-fill Sites

In terms of the licencing of the landfill refuse site, the municipality will incur rehabilitation costs of R 2,685 539 (Debeng landfill site) and R 6,029,896 (Olifantshoek landfill site) to restore the sites at the end of their useful lives. Provision has been made for the net present value of this cost, using the the average cost of borrowing interest rate.

16. Payables from exchange transactions

Trade Creditors	333,093	800,761
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Payables from Exchange Transactions have been restated to account for expenses not accrued for previously. Refer to Note 58 on "Correction of Error" for details of the restatement.

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA, except when the liability is disputed. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe.

No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with.

The municipality did not default on any payment of its Creditors. No terms for payment have been renegotiated by the municipality.

The management of the municipality is of the opinion that the carrying value of Creditors approximates their fair values.

The fair value of Creditors was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
17. Taxes and transfers payable (non-exchange)		
Payments Received In Advance	16,521,927	5,129,931
Staff Leave	6,174,247	4,547,806
Sundry Deposits	2,298,670	2,087,511
Suspense Accounts	9,338,294	3,484,424
	34,333,138	15,249,672

Payables from Non-exchange Transactions have been restated to account for expenses not accrued for previously and correct other errors. Refer to Note 58 on "Correction of Error" for details of the restatement.

Staff Leave accrues to the staff of the municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

No credit period exists for Payables from Non-exchange Transactions, neither has any credit period been arranged. No interest is charged on outstanding amounts.

The municipality did not default on any payment of its Creditors. No terms for payment have been renegotiated by the municipality.

The management of the municipality is of the opinion that the carrying value of Creditors approximates their fair values.

The fair value of Creditors was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

18. Other financial liabilities

At amortised cost

Annuity Loans - Non-current	33,040,594	38,083,192
Annuity Loans - Current	(3,802,619)	(4,422,609)
	29,237,975	33,660,583

Total other financial liabilities

29,237,975 33,660,583

Non-current liabilities

At amortised cost	25,435,357	29,237,975
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Current liabilities

At amortised cost	3,802,618	4,422,608
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18.1

Calculation of Cash Flow:

Opening Balance of Long-term Liabilities	(29,237,975)	(33,660,584)
Closing Balance of Long-term Liabilities	25,435,357	29,237,975
Opening Balance of current portion of Long-term Liabilities	(4,422,608)	(4,011,996)
Closing Balance of current portion of Long-term Liabilities	3,802,618	4,422,608
	(4,422,608)	(4,011,997)

Annuity Loans are repaid over periods varying from 1 to 7 (2014: 1 to 7) years and at interest rates varying from 8.63% to 11.06% (2014: 8.63% to 11.06%) per annum. Annuity Loans are not secured.

The management of the municipality is of the opinion that the carrying value of Long-term Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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18. Other financial liabilities (continued)

Refer to Appendix "A" for more detail on Long-term Liabilities.

18.2 Breach of Loan Agreement

The municipality did not default on any payment of its Long-term Liabilities. No terms for payment have been re-negotiated by the municipality.

19. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

National: MIG Funds	1,532,206	-
Provincial Government Grants	-	1,217,129
	1,532,206	1,217,129

The Unspent Conditional Grants and Receipts are invested in investment accounts until utilised.

See Note 25 for the reconciliation of Grants from Government and Note 26 for the reconciliation of Other Conditional Receipts. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Refer to Appendix "F" for more detail on Conditional Grants.

20. Employee benefit obligations

The amounts recognised in the statement of financial position are as follows:

Carrying value

Post-Retirement Health Care Benefits Liability	(32,016,207)	(29,065,776)
Long Service Awards Liability	(5,290,985)	(3,975,455)
	(37,307,192)	(33,041,231)

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
20. Employee benefit obligations (continued)		
20.1 Post-retirement Health Care Benefits Liability		
Balance at beginning of Year	29,711,748	22,292,184
Current service costs	1,745,269	1,330,947
Increase due to Discounting	2,697,249	1,993,705
Actuarial gains & losses & benefits paid	(1,446,403)	4,094,912
Balance at end of Year	32,707,863	29,711,748
Current portion	(691,656)	(645,972)
Total Post-retirement Health Care Benefits Liability	32,016,207	29,065,776

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2015 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The members of the Post-employment Health Care Benefit Plan are made up as follows:

In-service Members (Employees)	235	254
Continuation Members (Retirees, widowers and orphans)	16	16
Total Members	251	270

The liability in respect of past service has been estimated as follows:

In-service Members	23,085,821	20,323,009
Continuation Members	9,622,042	9,388,739
Total Liability	32,707,863	29,711,748

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Bonitas
- Keyhealth
- LA Health
- Samwumed

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount Rate	9.05 %	9.18 %
Health Care Cost Inflation Rate	8.14 %	8.33 %
Net Effective Discount Rate	0.84 %	0.79 %
Expected Retirement Age - Females	63	63
Expected Retirement Age - Males	63	63
Mortality during employment	SA 85 - 90	SA 85 - 90
Mortality tables post-retirement	PA ((90)-1	PA(90) - 1

Movements in the present value of the Defined Benefit Obligation were as follows:

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014			
20. Employee benefit obligations (continued)					
Balance at the beginning of the year	29,711,748	22,292,184			
Current service cost	1,745,269	1,330,947			
Interest cost	2,697,249	1,993,705			
Benefits paid	(645,972)	(530,856)			
Actuarial losses / (gains)	(800,431)	4,625,768			
Total Recognised Benefit Liability	32,707,863	29,711,748			
The amounts recognised in the Statement of Financial Position are as follows:					
Present value of fund obligations	32,707,150	29,711,748			
The amounts recognised in the Statement of Financial Performance are as follows:					
Current service cost	1,745,269	1,330,947			
Interest cost	2,697,249	1,993,705			
Actuarial losses / (gains)	(800,431)	4,625,768			
Less: Benefits paid	(645,972)	(530,856)			
Total Post-retirement Benefit included in Employee Related Costs	2,996,115	7,419,564			
The history of experienced adjustments is as follows:					
	2015 R 000	2014 R 000	2013 R 000	2012 R 000	2011 R 000
Present Value of Defined Benefit Obligation	32,707	29,712	22,292	18,058	17,692
The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:					
Increase:					
Effect on the aggregate of the current service cost and the interest cost				5,401,800	4,022,500
Effect on the defined benefit obligation				38,812,000	35,276,000
Decrease:					
Effect on the aggregate of the current service cost and the interest cost				3,693,900	2,778,200
Effect on the defined benefit obligation				27,848,000	25,273,000

Refer to Note 51, "Multi-employer Retirement Benefit Information", to the Annual Financial Statements for more information regarding the municipality's other retirement funds that is Provincially and Nationally administered.

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
20. Employee benefit obligations (continued)		
20.2 Long Service Awards Liability		
Balance at beginning of Year	4,407,950	4,112,324
Contribution to provision	450,920	(98,173)
Increase due to discounting	334,849	286,968
Current service cost & benefits paid	734,657	106,831
Balance at end of Year	5,928,376	4,407,950
Current portion	(637,391)	(432,495)
Total Long Service Awards Liability	5,290,985	3,975,455

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Longservice Award is payable after 10 years of continuous service, and every 5 years of continuous service thereafter, to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2015 by Mr C. Weiss. Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end, 358 (2014: 363) employees were eligible for Long-service Awards.

The Current-service Cost for the year ending 30 June 2015 is estimated to be R 450,920, whereas the cost for the ensuing year is estimated to be R 642,004 (30 June 2014: R 438,357 and R 450,920 respectively).

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount Rate	8.03 %	7.98 %
General Salary Inflation	7.10 %	7.24 %
Net Effective Discount Rate	0.87 %	0.69 %
Expected Retirement Age - Females	63	63
Expected Retirement Age - Males	63	63
Mortality tables during employment	SA 85 - 90	SA 85 - 90

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	4,407,950	4,112,324
Current service costs	450,920	438,357
Interest cost	334,849	286,968
Benefits paid	(432,495)	(331,526)
Actuarial losses / (gains)	1,167,153	(98,173)
Total Recognised Benefit Liability	5,928,377	4,407,950

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	5,928,377	4,407,950
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The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	450,920	438,357
Interest cost	334,849	286,968
Actuarial losses / (gains)	1,167,153	(98,173)
Less: Benefits paid	(432,495)	(331,526)
Total Post-retirement Benefit included in Employee Related Costs	1,520,427	295,626

The history of experienced adjustments is as follows:

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
20. Employee benefit obligations (continued)		
	2015 R	2014 R
Present Value of Defined Benefit Obligation	5,928,377	4,407,950

The effect of a 1% movement in the assumed rate of general salary inflation is as follows:

Increase:

Effect on the aggregate of the current service cost and the interest cost	851,200	785,200
Effect on the defined benefit obligation	6,329,000	4,705,000

Decrease:

Effect on the aggregate of the current service cost and the interest cost	727,600	672,100
Effect on the defined benefit obligation	5,568,000	4,140,000

Refer to Note 52, "Multi-employer Retirement Benefit Information", to the Annual Financial Statements for more information regarding the municipality's other retirement funds that is Provincially and Nationally administered.

21. Accumulated surplus

The Accumulated Surplus consists of the following Internal Funds and Reserves:

Accumulated Surplus / (Deficit) due to the results of Operations	1,271,539,481	945,180,750
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Accumulated Surplus has been restated. Refer to Notes 58 on "Correction of Errors" for details of the restatements.

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
22. Property rates		
Rates received		
Property Rates Income	396,055,807	27,475,036
Less: Income forgone	(4,552,975)	(3,852,148)
	391,502,832	23,622,888

Valuations

Residential Properties	4,256,935,564	2,265,336,303
Industrial Properties	4,470,000	56,311,633
Business Properties	327,622,000	180,517,507
Agriculture Properties	1,313,652,010	271,888,800
Municipal Farms	68,288,020	4,436,900
State owned Properties	56,403,000	41,062,989
Municipal Properties	279,885,900	303,669,644
Public Service Infrastructure	6,611,000	1,779,070
Public Benefit Organisations	-	2,075,460
Churches	36,203,000	28,170,768
Education	40,950,000	33,691,720
Mining Properties	10,520,025,000	67,128,700
Guest House	42,110,000	46,678,754
Farms Face In	120,907,000	54,850,935
Small Holdings	83,100,000	11,837,500
PBO Sporting Bodies	-	9,590,300
Government Hospitals	6,700,000	655,000
Private Hospitals	7,000,000	2,942,000
Existing Farms - Without Dwellings	138,565,000	45,060,900
Farms Face In - Without Dwellings	187,158,000	43,007,100
Small Holdings - Without Dwellings	1,900,000	-
	3,470,691,983	

Calculation of Cash Flow:

Property rates income	391,502,832	23,622,888
Opening balance of Debtors: Assessment Rates	12,625,425	10,826,698
Closing balance of Debtors: Assessment Rates	(348,620,301)	(12,625,425)
Opening balance - Provision for doubtful debts	(8,813,904)	(7,155,732)
Closing balance - Provision for doubtful debts	64,820,632	8,813,904
Total Receipts for Property Rates	111,514,684	23,482,333

Property rates have been restated to account for corrections of prior year balances. Refer to Note 58 on "Correction of Error" for details of the restatement.

Assessment Rates are levied on the value of land and improvements, which valuation is performed every 4 years. The last valuation came into effect on 01 July 2014. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions and also to accommodate growth in the rate base due mostly to private development.

A rate in the rand for domestic properties of R 0.008489 was charged on site values and a rate in the rand of R 0.008489 for improvements. Business were charged at a rate in the rand of R 0.016979 on site values and a rate in the rand of R 0.016979 for improvements.

Properties used for domestic purposes and consisting of both land and improvements are subject to a R 15 000.00 valuation reduction. There are also different rebates and phased in tariffs for different sectors of the community.

Rates are levied monthly on property owners and are payable the end of each month.

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
23. Fines		
General	152,807	91,953
Traffic	209,841	683,250
Total fines	362,648	775,203
24. Licences and permits		
Drivers licences	829,808	1,051,307
Other general	342	3,782
Total Licences and Permits	830,150	1,055,089
25. Income from agency services		
Motor licences	2,473,165	2,475,622
Total Income from Agency Services	2,473,165	2,475,622

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
26. Government grants and subsidies		
Operating grants		
Equitable share	22,045,000	21,203,000
National: Department of Energy (INEP)	140,149	163,227
	22,185,149	21,366,227
Capital grants		
National: Finance Management Grant (FMG)	1,600,000	1,550,000
National: Municipal Infrastructure Grant (MIG)	10,105,794	11,023,000
National: Municipal Systems Improvement Grant (MSIG)	934,000	890,000
National: Department of Minerals & Energy (INEP)	3,500,000	6,400,000
Provincial: Department of Public Works: Epwp Program	1,000,000	1,000,000
Provincial: Library	1,334,170	249,496
Provincial: COGHSTA	6,967,845	5,415,982
Provincial: Department of Water Affairs & Forestry	872,959	7,489,743
	26,314,768	34,018,221
Total Government Grants and Subsidies	48,499,917	55,384,448
Calculation of Cash Flow:		
Included in above are the following grants and subsidies received:		
Government Grants and Subsidies Income	48,499,917	55,384,448
Opening Balance of Unspent Government Grants	(1,217,129)	(1,221,349)
Closing Balance of Unspent Government Grants	1,532,206	1,217,129
Total Receipts for Government Grants and Subsidies	48,814,994	55,380,228
Equitable Share		
Equitable share	22,045,000	21,203,000
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy up to R 381.60 (2014: R268.9), based on the monthly billing, towards the consumer account, which subsidy is determined annually by council.		
All residential houses receive 6kl water, 9 kl water for sewer and 50 kwh electricity (indigents only) free every month. No funds have been withheld.		
National: Finance Management Grant (FMG)		
Current-year receipts	1,600,000	1,550,000
Conditions met - transferred to Revenue: Operating Expenses	(1,600,000)	(1,550,000)
Conditions still to be met - transferred to Liabilities (see Note 16)	-	-
Conditions still to be met - remain liabilities (see note 19).		
The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial management reforms required by the Municipal Finance Management Act (MFMA), 2003. No funds have been withheld.		
National: MIG Funds		
Current-year receipts	11,638,000	11,023,000
Conditions met - transferred to Revenue: Operating Expenses	(10,105,794)	(11,023,000)
Conditions still to be met - transferred to Liabilities	1,532,206	-

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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26. Government grants and subsidies (continued)

Conditions still to be met - remain liabilities (see note 19).

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads, basic sewerage and water infrastructure as part of the upgrading of poor households, micro enterprises and social institutions; to provide for new, rehabilitation and upgrading of municipal infrastructure. No funds have been withheld.

National: Municipal Systems Improvement Grant (MSIG)

Current-year receipts	934,000	890,000
Conditions met - transferred to Revenue: Operating Expenses	(934,000)	(890,000)
Conditions still to be met - transferred to Liabilities	-	-

Conditions still to be met - remain liabilities (see note 19).

The Municipal Systems Improvement Grant is allocated to municipalities to assist in building in-house capacity to perform their functions and to improve and stabilise municipal systems. No funds have been withheld.

National: Department of Minerals & Energy (INEP)

Current-year receipts	3,500,000	6,400,000
Conditions met - transferred to Revenue: Operating Expenses	(3,500,000)	(6,400,000)
Conditions still to be met - transferred to Liabilities	-	-

Conditions still to be met - remain liabilities (see note 19).

The grant was allocated for the upgrading of poor households, micro enterprises and social institutions to provide for new, rehabilitation and upgrading of municipal infrastructure.

Provincial: Expanded Public Works Program

Current-year receipts	1,000,000	1,000,000
Conditions met - transferred to Revenue: Operating Expenses	(1,000,000)	(1,000,000)
Conditions still to be met - transferred to Liabilities	-	-

Conditions still to be met - remain liabilities (see note 19).

This grant was allocated to the municipality for the upgrading of roads within the municipal area. No funds have been withheld.

Provincial: Library

Balance unspent at beginning of year	344,170	98,666
Current-year receipts	990,000	495,000
Conditions met - transferred to Revenue: Operating Expenses	(1,334,170)	(224,735)
Other Adjustments/Refunds	-	(24,761)
	-	344,170

Conditions still to be met - remain liabilities (see note 19).

This grant was allocated to the municipality for community projects. No funds have been withheld.

Provincial: Department of Local Government & Housing

Balance unspent at beginning of year	-	1,122,683
Current-year receipts	6,967,845	4,293,299
Conditions met - transferred to Revenue: Operating Expenses	-	(4,796,553)

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
26. Government grants and subsidies (continued)		
Conditions met - transferred to Revenue: Capital Expenses	(6,967,845)	(619,429)
Conditions still to be met - transferred to Liabilities	-	-

Conditions still to be met - remain liabilities (see note 19).

The grant was allocated to the municipality for the construction of RDP houses in Sesheng (490 houses) and Olifantshoek (200 houses) as well as 200 rental units in Kathu.

Provincial: Department of Water Affairs & Forestry

Balance unspent at beginning of year	872,959	-
Current-year receipts	-	8,362,703
Conditions met - transferred to Revenue: Operating Expenses	-	(165,947)
Conditions met - transferred to Revenue: Capital Expenses	(872,959)	(7,323,797)
Conditions still to be met - transferred to Liabilities	-	872,959

Conditions still to be met - remain liabilities (see note 19).

This grant was allocated to the municipality for the upgarding of municipal water infrastructure assets. No funds have been withheld.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act No 2 of 2014), government grant funding is expected to increase over the forthcoming three financial years.

27. Public contributions and donations

Assmang Mining	-	10,759,290
Public contributions and donations	1,085,600	10,000
Kumba Iron Ore	5,322,637	20,430,351
Total Public Contributions and Donations	6,408,237	31,199,641

Conditions still to be met - remain liabilities (see note 19)

Public contributions have been restated to account for corrections of prior year balances. Refer to Note 58 on "Correction of Error" for details of the restatement.

Calculation of Cash Flow:

Public contributions and donations	6,408,237	31,199,640
Opening Balance of Unspent Public Grants	-	-
Closing Balance of Unspent Public Grants	-	-
Total Receipts for Public Contributions and Donations	6,408,237	31,199,640

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
28. Service charges		
Sale of electricity	124,686,909	89,807,893
Sale of water	61,703,861	45,945,041
Sewerage and sanitation charges	17,082,102	11,479,820
Refuse removal	15,847,913	13,691,782
Other service charges	50,438,213	48,689,782
Total Service Charges	269,758,998	209,614,318

Service charges have been restated to account for corrections of prior year balances. Refer to Note 58 on "Correction of Error" for details of the restatement.

Calculation of Cash Flow:

Service charges	269,758,997	209,614,317
Opening Balance of Debtors: Service Charges	46,587,164	36,324,587
Closing Balance of Debtors: Service Charges	(112,485,075)	(46,587,164)
Opening balance - Provision for doubtful debts	(24,609,226)	(20,220,847)
Closing balance - Provision for doubtful debts	30,813,056	24,609,226
Total Receipts for Service Charges	210,064,916	203,740,119

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

29. Rental of facilities and equipment

Rental revenue from land	136,093	218,245
Rental revenue from amenities	-	36,908
Rental revenue from other facilities	117,558	141,708
Total Rental of Facilities and Equipment	253,651	396,861

Rental of Facilities and Equipment has been restated to account for prior year errors. Refer to Note 58 on "Correction of Error" for details of the restatement.

Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.

30. Interest earned

External Investments:

Bank account & Call investment deposits	806,380	308,882
Interest - Other	313,817	139,381
Total Interest Earned	1,120,197	448,263

Interest earned have been restated to account for corrections of prior year balances. Refer to Note 58 on "Correction of Error" for details of the restatement.

Calculation of Cash Flow:

External Interest Income	1,120,196	448,263
Opening Balance of Accrued Interest	-	-
Closing Balance of Accrued Interest	-	-
Total Receipts for Interest Received	1,120,196	448,263

Interest Earned on Financial Assets, analysed by category of asset, is as follows:

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
30. Interest earned (continued)		
Financial Assets at Amortised Cost	1,120,196	448,263
	1,120,196	448,263
31. Other income		
Cemetery fees	27,373	22,180
Collection charges	61,314	40,993
Connection fees	652,644	358,105
Entrance fees	-	108,316
Insurance claim	163,449	3,634,580
Photocopies	16,798	13,540
Refuse removal fees	1,808	8,122
Sundry revenue	982,214	1,116,728
Tender documents	163,194	48,337
Valuation roll fee	56,523	33,157
Various sales	357,356	594,890
Total Other Revenue	2,482,673	5,978,948

The amounts disclosed above for Other Revenue are in respect of services, other than described in Notes 21 to 29, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
32. Employee related costs		
Basic	71,779,143	52,831,971
Contributions for UIF, Pensions and Medical Aids	15,150,485	12,604,299
Bonus provision	95,083	392,398
Defined contribution plans	4,516,541	7,715,190
Travel, motor car, accommodation, subsistence and other allowances	2,697,344	2,678,113
Overtime payments	8,316,626	6,613,821
Housing benefits and allowances	1,126,211	1,100,696
Total Employee Related Costs	103,681,433	83,936,488

Calculation of Cash Flow:

Employee costs - salaried staff	(103,681,432)	(83,936,489)
Opening balance of Employee benefit obligation - Non current	(33,041,231)	(25,542,126)
Closing balance of Employee benefit obligation - Non current	37,307,192	33,041,231
Opening balance of Employee benefit obligation - Current	(1,586,066)	(977,584)
Closing balance of Employee benefit obligation - Current	1,212,769	1,586,066
Opening balance of Provision for staff leave	(4,547,806)	(3,667,777)
Closing balance of Provision for staff leave	6,174,247	4,547,806
Total Outflow	(98,162,327)	(74,948,873)

No advances were made to employees.

Remuneration of Municipal Manager

Annual Remuneration	875,968	898,124
Car and Other Allowances	275,304	267,275
13th Cheque	96,741	-
Company Contributions to UIF, Medical and Pension Funds	39,037	10,978
Total	1,287,050	1,176,377

Remuneration of Chief Financial Officer

Annual Remuneration	676,669	657,665
Car and Other Allowances	430,183	281,821
13th Cheque	78,988	-
Company Contributions to UIF, Medical and Pension Funds	3,691	10,104
Total	1,189,531	949,590

The post was vacant as from 01 April 2013 to December 2013. An acting allowance was paid to Mr NM Grond for the period.

Remuneration of the Director: Community Services - RC Apools

Annual Remuneration	602,544	712,890
Car and Other Allowances	305,667	267,275
13th Cheque	70,212	-
Company Contributions to UIF, Medical and Pension Funds	3,098	11,179
Total	981,521	991,344

Remuneration of the Acting Director: Corporate Services - CM Phuti

Annual Remuneration	-	120,390
Car and Other Allowances	-	33,414
Company Contributions to UIF, Medical and Pension Funds	-	22,916
Total	-	176,720

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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32. Employee related costs (continued)

The post was vacant until 30 September 2013 and CM Phuti was paid acting allowance for position during that vacant period.

Remuneration of the Director: Corporate Services - L Seetile

Annual Remuneration	702,544	609,058
Car and Other Allowances	202,883	14,457
13th Cheque	70,212	-
Company Contributions to UIF, Medical and Pension Funds	3,223	7,562
Total	978,862	631,077

The position was vacant until 30 September 2013. MR L Seetile was permanently appointed from 1 October 2013

Remuneration of the Director: Infrastructure - KN Ositang

Annual Remuneration	602,544	664,678
Car and Other Allowances	267,825	268,863
Company Contributions to UIF, Medical and Pension Funds	3,084	39,214
Total	873,453	972,755

Mr KN Ositang was permanently employed from 1 May 2013.

Remuneration of the Director: Strategic Services KJ Leserwane

Annual Remuneration	702,544	609,058
Car and Other Allowances	178,370	12,857
Performance Bonuses	70,212	-
Company Contributions to UIF, Medical and Pension Funds	3,182	7,601
Total	954,308	629,516

This is a new post created during the 2013/14 financial year and Mr KJ Leserwane was permanently employed in this position from 1 October 2013.

33. Remuneration of councillors

Councillors	1,787,810	1,755,601
Company Contributions to UIF, Medical and Pension Funds	323,864	269,010
Other Allowances (Cellular Phones, Housing, Transport, etc.)	681,618	612,641
Total Councillors' Remuneration	2,793,292	2,637,252

In-kind benefits

The Councillor occupying the position of the Mayor of the municipality serve in a full-time capacity. She is provided with office accommodation and secretarial support at the expense of the municipality in order to enable her to perform her official duties.

The Mayor has use of a Council owned vehicle for official duties.

34. Depreciation and amortisation

Property, plant and equipment	57,909,739	54,148,083
Intangible assets	304,156	331,806
Total Depreciation and Amortisation	58,213,895	54,479,889

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
35. Impairment of assets		
Impairments		
Property, plant and equipment	-	340,433
Trade and other receivables	66,635,371	9,383,381
	66,635,371	9,723,814
36. Repairs and maintenance		
Land and Buildings	57,685	168,103
Infrastructure - Electricity	2,533,752	29,776,223
Infrastructure - Road Transport	1,062,162	530,594
Infrastructure - Other	8,329,850	4,546,435
Other Assets	3,717,496	3,954,448
Total Repairs and Maintenance	15,700,945	38,975,803
37. Finance costs		
Long-term liabilities	3,135,755	3,546,250
Creditors overdue	178	108,878
Landfill provision	216,440	328,421
Total Interest Paid on External Borrowings	3,352,373	3,983,549
38. Bulk purchases		
Electricity	84,403,979	71,763,473
Water	12,486,985	10,390,055
Total Bulk Purchases	96,890,964	82,153,528
Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom whilst Water is purchased from Sedibeng Water.		
39. Contracted services		
Commission paid	2,288,108	2,050,905
Licences & permits	260,313	162,427
Rentals paid	1,394,158	568,726
Security services	2,395,902	2,119,402
Total Contracted Services	6,338,481	4,901,460
40. Grants and subsidies paid		
Other subsidies		
Conditional Grants Paid (FMG, MSIG & Library grant)	3,346,652	2,658,216
Low Income Subsidy / Free Basic Services (Equitable share)	2,402,570	1,758,783
Other (RBIG)	-	165,946
Housing	3,753,256	4,796,554
Total Grants and Subsidies	9,502,478	9,379,499

Free Basic Services are in respect of assistance to and providing basic service levels to indigent households.

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
41. General expenses		
Included in General Expenses are the following:		
Advertising	194,302	317,250
Auditors remuneration	2,471,833	2,623,254
Bank charges	805,535	745,664
Books, Magazines & Publication	6,030	17,196
Call Centre	42,350	33,110
Cleaning Materials	107,810	46,138
Cleaning	69,499	69,890
Conferences and seminars	99,990	38,082
Consultant Fees	5,579,053	1,059,419
Elec Pre-Paid Meter Issue	226,691	225,872
Entertainment	124,624	177,885
Fuel and oil	2,811,779	3,296,128
Functions / Events	168,383	536,253
Impounding Of Animals	57,389	41,708
Insurance	790,765	1,069,703
IT expenses	20,814	68,335
Staff welfare	371,500	-
Legal Costs	2,157,365	934,696
Membership Fees	678,890	729,675
Pms	195,022	345,125
Postages	116,077	158,642
Printing and stationery	791,831	508,048
Protective clothing	50,596	156,153
Water	61,527	-
Safety Equipment	55,824	4,314
Special Programmes	220,840	163,713
Sports Council	105,622	23,006
Stores & Materials	246,908	93,844
Subsistence & Travelling	3,106,801	2,710,124
Sundries	1,264,172	852,565
Telephone & Communication	1,415,371	1,250,540
Traffic /Road Signs	7,500	15,162
Training Levies	748,730	1,187,491
Valuation Roll (Msig)	113,560	1,898,325
Ward Comm Activities & Train	435,759	389,612
Youth Dev. Programmes	144,214	170,947
Interdepartmental Charges	8,359,547	1,650,242
Total General Expenses	34,224,503	23,608,111

The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management of the municipality and not direct attributable to a specific service or class of expense. Interdepartmental Charges are charged to other trading and economic services for support services rendered

General expenses have been restated to account for corrections of prior year balances. Refer to Note 58 on "Correction of Error" for details of the restatement.

42. Loss on write-off of property, plant and equipment

Assets Disposed at Carrying Value	-	525,392
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43. Changes in accounting policy

The municipality adopted the following Accounting Standards for the first time during the financial year 2013/14 in order to comply with the basis of preparation of the Annual Financial Statements as disclosed in Accounting Policy Note 1:

- GRAP 100 : Discontinued operations
- GRAP 5: Borrowing costs

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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43. Changes in accounting policy (continued)

GRAP 100 - Discontinued operations

The measurement, presentation and disclosure requirements related to non-current assets held for sale were withdrawn in (February 2013) GRAP 100.

An entity shall apply the amendments as follows:

(a) Changes to the way in which non-current assets held for sale are measured, shall be applied prospectively at the beginning of the period in which these amendments are adopted.

(b) Changes to the way in which non-current assets held for sale are classified and presented on the statement of financial position and accompanying notes, shall be applied retrospectively by adjusting information for the earliest period presented.

The above-mentioned changes in Accounting Policies had no effect on the Accumulated Surplus as at 30 June 2014 and the Accumulated Surplus of prior years was not affected either.

44. Cash generated from operations

Surplus	326,358,731	16,646,492
Adjustments for:		
Depreciation and amortisation	58,213,895	54,479,889
Impairment Losses on Property, Plant and Equipment	-	340,433
Gain on sale of assets and liabilities	-	525,392
Rent received - Straight-lining of operating lease receivables	8,674	12,091
Contribution to Employee Benefit Liability - Non current	4,265,961	7,499,105
Contribution to Employee Benefit Liability - Current	250,580	216,085
Rehabilitation of landfill site movements	424,869	328,421
Performance bonus contribution	95,083	392,398
Leave accrued contributions	1,626,441	880,030
Impairment losses: Provision for doubtful debts - exchange transactions	10,564,446	7,218,893
Impairment losses: Provision for doubtful debts - Non exchange transactions	56,070,927	2,164,487
Changes in working capital:		
Inventories	(386,798)	(279,042)
Receivables from exchange transactions	(66,635,371)	(13,090,320)
Receivables from non exchange transactions (Rates)	(59,694,082)	(2,305,043)
Receivables from non exchange transactions (other)	(280,381,270)	6,586,476
Payables from exchange transactions	(467,668)	(501,300)
VAT	6,080,155	(1,222,909)
Payables from non exchange transactions	17,457,026	3,837,365
Unspent conditional grants and receipts	315,077	(4,220)
Consumer deposits	1,069,987	547,737
	75,236,663	84,272,460

45. Non-cash investing and financing transactions

The municipality did not enter into any Non-cash Investing and Financing Transactions during the 2014/15 financial year.

46. Unauthorised expenditure

Reconciliation of Unauthorised Expenditure:

Opening balance	53,733,265	44,756,394
Unauthorised Expenditure current year	63,505,000	53,733,265
Approved by Council or condoned	(53,733,265)	(44,756,394)
Unauthorised Expenditure awaiting authorisation	63,505,000	53,733,265

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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46. Unauthorised expenditure (continued)

Unauthorised expenditure relates to the overspending of the total amount appropriated for a vote. In the prior financial year, unauthorised expenditure was calculated according to GFS functions (Government Finance Statistics classification system) and amounted to R 13,247,130 which was condoned by council in the 2014 financial year. The calculation of unauthorised expenditure was however changed in the 2014 financial year based on the municipality's own vote structure which resulted in a decrease of the comparative amount to R 9,144,067. The total amount condoned by council in the 2014 financial year was R 48,859,457.

47. Irregular expenditure

Opening balance	23,831,370	-
Add: Irregular Expenditure - current year	10,111,105	23,831,370
Less: Amounts condoned	(23,831,370)	-
	10,111,105	23,831,370

Details of irregular expenditure – current year

Incident	Disciplinary steps taken/criminal proceedings	
Irregular expenditure include expenditure contrary to SCM Processes.	To be submitted to Council to be condoned	3,713,310
Goods & Services with transaction value below R200 000 procured without obtaining the required price quotations.		
Irregular expenditure include expenditure contrary to SCM Processes.	To be submitted to Council to be condoned	6,397,795
Goods & Services with transaction value above R200 000 procured without obtaining the required price quotations or following the SCM processes		
		10,111,105

48. Fruitless and wasteful expenditure

Opening balance	297,290	188,412
Fruitless and Wasteful Expenditure current year	4,510	108,878
Condoned or written off by Council	-	-
Fruitless and Wasteful Expenditure awaiting condonement	301,800	297,290

49. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised Local government - SALGA

Opening balance	-	-
Council subscription	678,890	729,675
Amount paid - current year	(678,890)	(729,675)
Balance Unpaid (included in Creditors)	-	-

Audit fees

Opening balance	-	-
Current year audit fee	2,817,890	2,990,510
Amount paid - current year	(2,817,890)	(2,990,510)
Balance Unpaid (included in Creditors)	-	-

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
-----------------	------	------

49. Additional disclosure in terms of Municipal Finance Management Act (continued)

PAYE, Skills Development Levy and UIF

Opening balance	-	-
Current year subscription / fee	14,591,954	9,322,817
Amount paid - current year	(14,591,954)	(9,322,817)
Balance Unpaid (included in Creditors)	-	-

Pension and Medical Aid Deductions

Opening balance	-	-
Current year subscription / fee	21,663,813	18,584,817
Amount paid - current year	(21,663,813)	(18,584,817)
Balance Unpaid (included in Creditors)	-	-

VAT

The net of VAT input payables and VAT output receivables are shown in Note 6. All VAT returns have been submitted by the due date throughout the year.

During the years under review, the following VAT payments have been made to SARS:

VAT receivable	2,206,464	8,286,619
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VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at June 30, 2015:

June 30, 2015	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
O.E. Hantise	632	4,063	4,695
S. Kaars	195	28,663	28,858
G.M. Vos	12,221	31,665	43,886
Total Councillor Arrear Consumer Accounts	13,048	64,391	77,439

June 30, 2014	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
O.E Hantise	-	12,288	12,288
J. Johnson	-	55,461	55,461
G. Vos	-	79,380	79,380
I. Obuseng	-	4,759	4,759
M.M. Diniza	-	1,752	1,752
Total Councillor Arrear Consumer Accounts	-	153,640	153,640

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
-----------------	------	------

49. Additional disclosure in terms of Municipal Finance Management Act (continued)

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

Deviation from, and ratification of minor breaches of, the Procurement Processes

In terms of section 36(2) of the Municipal Supply Chain Management Regulations approved by the council, any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager, noted by Council and bids where the formal procurement processes could not be followed must be noted in the Annual Financial Statements.

The following deviations from the tender stipulations in terms of the municipality's Supply Chain Management Policy were ratified by the Municipal Manager and reported to Council:

Department	Date	Successful tenderer	Reason	Amount
Gamagara Local Municipality	Year 2014/15	Various case	Various reasons like preferred supplier & venue, urgency, only 1 or 2 suppliers registered on databasis, specialised products, limited to 1 supplier.	28,360,684

Bulk Electricity and Water Losses in terms of Section 125 (2)(d)(i) of the MFMA

Electricity

		Lost Units	Value
30 June 2015	Unaccounted Electricity Losses	15,312,908	13,538,890
30 June 2014	Unaccounted Electricity Losses	16,593,242	18,977,943

Electricity Losses occur due to inter alia , technical and non-technical losses (Technical losses - inherent resistance of conductors, transformers and other electrical equipment; Non-technical losses - the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal electricity connections).

The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters are replaced as soon as they are reported.

Volumes in kWh/year:

System Input Volume	108,056,202	100,082,872
Billed Consumption	(92,743,294)	(83,489,631)

Distribution Loss

15,312,908	16,593,241
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Percentage Distribution Loss

14.17 %	16.58 %
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Loss (R):

13,538,890	18,977,843
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Calculated as follows :

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
-----------------	------	------

49. Additional disclosure in terms of Municipal Finance Management Act (continued)

Water

		Lost Units	Value
30 June 2015	Unaccounted Water Losses	33,614	264,799
30 June 2014	Unaccounted Water Losses	23,236	106,282

Water Losses occur due to inter alia , leakages, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal water connections.

The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters and leakages are replaced/repared as soon as they are reported.

50. Commitments

Authorised capital expenditure

Approved and contracted for

• Infrastructure	21,431,758	29,664,156
• Other	-	-
• Housing Development Fund	-	11,982,523
Total Capital Commitments	21,431,758	41,646,679

Total capital commitments

Already contracted for but not provided for	21,431,758	41,646,679
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This expenditure will be financed from:

• Capital Replacement Reserve	-	37,533,105
• Government Grants	21,431,758	1,626,325
• Public Contributions	-	2,487,249
	21,431,758	41,646,679

Authorised operational expenditure

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

Other commitments

Commitments for operating expenditure as at 30 June 2015 amounts to R 2 447 557.

51. Financial instruments disclosure

51.1 Categories of financial instruments

2015

Financial assets

	At fair value	At amortised cost	Total
Receivables from Exchange Transactions			
Electricity	-	27,497,118	27,497,118
Refuse	-	9,929,602	9,929,602
Sewerage	-	8,832,293	8,832,293
Water	-	33,742,453	33,742,453
Other Receivables	-	1,670,553	1,670,553
Receivables from Non-exchange Transactions			
Assessment Rates Debtors	-	287,908,475	287,908,475

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements

Figures in Rand		2015	2014
Suspense accounts	-	2,616,710	2,616,710
Sundry Debtors	-	492,096	492,096
Cash and Cash Equivalents			
Call Deposits	-	8,218,788	8,218,788
Cash Floats and Advances	1,800	-	1,800
	1,800	380,908,088	380,909,888

Financial liabilities

	At fair value	At amortised cost	Total
Long-term Liabilities			
Annuity Loans	-	25,435,357	25,435,357
Payables from Exchange Transactions			
Trade Creditors	-	361,575	361,575
Consumer Deposits	5,709,474	-	5,709,474
Payables from Non-exchange Transactions			
Staff Leave Accrued	-	5,792,591	5,792,591
Sundry Deposits	-	2,280,374	2,280,374
Bank Overdraft			
Bank Overdraft	-	27,993,179	27,993,179
Annuity Loans	-	3,802,618	3,802,618
	5,709,474	65,665,694	71,375,168

2014

Financial assets

	At fair value	At amortised cost	Total
Receivables from Exchange Transactions			
Electricity	-	7,544,943	7,544,943
Refuse	-	2,914,896	2,914,896
Sewerage	-	3,577,874	3,577,874
Water	-	7,632,054	7,632,054
Other Receivables	-	260,611	260,611
Receivables from Non-exchange Transactions			
Assessment Rates Debtors	-	3,812,038	3,812,038
Short-term Loans	-	1,893,800	1,893,800
Sundry Debtors	-	1,401,532	1,401,532
Cash and Cash Equivalents			
Call Deposits	-	10,114,003	10,114,003
Cash Floats and Advances	1,800	-	1,800
	1,800	39,151,751	39,153,551

Financial liabilities

	At fair value	At amortised cost	Total
Long-term Liabilities			
Annuity Loans	-	29,237,975	29,237,975
Payables from Exchange Transactions			
Trade Creditors	-	800,761	800,761
Consumer Deposits	4,639,486	-	4,639,486
Payables from Non-exchange Transactions			
Staff Leave Accrued	-	4,547,806	4,547,806
Staff Salaries	-	2,087,511	2,087,511
Sundry Deposits	-	3,484,424	3,484,424

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements

Figures in Rand		2015	2014
Bank Overdraft			
Bank Overdraft	-	30,159,496	30,159,496
Annuity Loans	-	4,422,609	4,422,609
		4,639,486	74,740,582
		74,740,582	79,380,068

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
-----------------	------	------

51.2 Fair Value

The following methods and assumptions were used to estimate the Fair Value of each class of Financial Instrument for which it is practical to estimate such value:

Cash and short-term investments

The carrying amount approximates the Fair Value because of the short maturity of these instruments.

Trade and Other Receivables/Payables

The Fair Value of Trade and Other Payables is estimated at the present value of future cash flows.

The management of the municipality is of the opinion that the carrying value of Trade and Other Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values. The Fair Value of Trade Receivables were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratios of the municipality's debtors.

Other Financial Assets and Liabilities

The Fair Value of Other Financial Assets and Financial Liabilities (excluding Derivative Instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Long-term Liabilities

The Fair Value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Management considers the carrying amounts of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements to approximate their Fair Values on, as a result of the short-term maturity of these assets and liabilities.

No Financial Instruments of the municipality have been reclassified during the year.

Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities

The table below analyses Financial Instruments carried at Fair Value at the end of the reporting period by the level of fair-value hierarchy as required by GRAP 104. The different levels are based on the extent to which quoted prices are used in the calculation of the Fair Value of the Financial Instruments. The levels have been defined as follows:

Level 1:-

Fair Values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

Level 2:-

Fair Values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3:-

Fair Values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements

Figures in Rand	2015			2014
June 30, 2015	Level 1 R	Level 2 R	Level 3 R	Total R
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
Call deposits	-	8,169,803	-	8,169,803
Cash and Cash Equivalents	-	1,800	-	1,800
Total Financial Assets	-	8,171,603	-	8,171,603
FINANCIAL LIABILITIES				
Financial Instruments at Fair Value:				
Bank overdraft	-	(28,117,393)	-	(28,117,393)
Total Financial Liabilities	-	(28,117,393)	-	(28,117,393)
Total Financial Instruments	-	(19,945,790)	-	(19,945,790)
June 30, 2014	Level 1 R	Level 2 R	Level 3 R	Total R
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
Call deposits	-	10,114,003	-	10,114,003
Cash and Cash Equivalents	-	1,800	-	1,800
Total Financial Assets	-	10,115,803	-	10,115,803
FINANCIAL LIABILITIES				
Financial Instruments at Fair Value:				
Bank overdraft	-	(30,159,496)	-	(30,159,496)
Total Financial Liabilities	-	(30,159,496)	-	(30,159,496)
Total Financial Instruments	-	(20,043,693)	-	(20,043,693)

51.3 Capital Risk Management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged from 2013

The capital structure of the municipality consists of debt, which includes Cash and Cash Equivalents and Equity which consist of Accumulated Surplus as disclosed in Note 20 and the Statement of Changes in Net Assets.

Gearing Ratio

The gearing ratio at the year-end was as follows:

Debt	57,355,368	63,820,079
Cash and Cash Equivalents	(8,171,603)	(10,115,803)
Net Debt	49,183,765	53,704,276
Equity	1,363,344,424	975,106,213
	3.61 %	5.51 %

Debt is defined as Long-term Liabilities, together with its Short-term Portion.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as described above.

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
-----------------	------	------

51.4 Financial Risk Management Objectives

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Department Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these Annual Financial Statements.

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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51.5 Significant Risks

It is the policy of the municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

The municipality has exposure to the following risks from its operations in Financial Instruments:

- Credit Risk;
- Liquidity Risk; and
- Market Risk.

Risks and exposures are disclosed as follows:

Market Risk

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Credit Risk

Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.

Liquidity Risk

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

A maturity analysis for Financial Liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in Notes 50.8 and 50.9 to the Annual Financial Statements.

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
-----------------	------	------

51.6 Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 50.7 below). No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

51.6.1 Foreign Currency Risk Management

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

51.6.2 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. Consumer Deposits are increased accordingly.

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements

Figures in Rand

2015

2014

51.7 Credit Risk Management

Credit Risk Management

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

Investments/Bank, Cash and Cash Equivalents

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with First National Bank. No investments with a tenure exceeding twelve months are made.

Trade and Other Receivables

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them.

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

- The application of section 118(3) of the Municipal Systems Act (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property;
- A new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount;
- The consolidation of rates and service accounts, enabling the disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA;
- The requirement of a deposit for new service connections, serving as guarantee and are reviewed annually;
- Encouraging residents to install water management devices that control water flow to households, and/or prepaid electricity meters.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer in terms of the Credit Control and Debt Collection Policy.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The table below shows the balance of the 5 major counterparties at the balance sheet date. Management is of the opinion that, although these parties are the 5 counterparties with highest outstanding balances, no significant credit risk exposure exists based on the payment history of the parties.

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
Counterparty and Location		
Camel Thorn Consultancy T/A Namakwari Lodge	546,120	161,802
Diversified Property Fund LTD	798,033	727,032
Kentucky Fried Chicken	-	123,538
Sioc Community Development Trust	-	162,657
Urban Hotel	-	95,940
Sishen Iron OreCompany Pty Ltd	28,109,227	-
Barlow World Equipment	1,121,779	-
Shoprite Checkers Pty Ltd	2,084,850	-

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:

Receivables from Exchange Transactions	97,344,830	46,539,605
Receivables from Non-exchange Transactions	352,495,719	16,651,315
Bank, Cash and Cash Equivalents	(19,945,790)	(20,043,692)
Maximum Credit and Interest Risk Exposure	429,894,759	43,147,228

The major concentrations of credit risk that arise from the municipality's receivables in relation to customer classification are as follows:

Consumer Debtors:		
- Household	83.48 %	55.97 %
- Industrial / Commercial	11.10 %	34.43 %
- National and Provincial Government	5.42 %	3.24 %
Other Debtors:		
- Other not Classified	- %	6.37 %
Total Credit Risk	100.00 %	100.01 %

Bank and Cash Balances

First National Bank	(19,945,790)	(20,043,692)
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Credit quality of Financial Assets:

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Receivables from Exchange Transactions

Counterparties without external credit rating:-

Group 1	-	9,343,133
Group 2	-	1,349,397
Group 3	-	-

Total Receivables from Exchange Transactions	-	10,692,530
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Receivables from Non-exchange Transactions

Counterparties without external credit rating:-

Group 1	-	-
Group 2	-	8,569,846
Group 3	-	-

Total Receivables from Non-exchange Transactions	-	8,569,846
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Credit quality Groupings:

Group 1 - High certainty of timely payment. Liquidity factors are strong and the risk of non-payment is small.

Group 2 - Reasonable certainty of timely payment. Liquidity factors are sound, although ongoing funding needs may enlarge financing requirement. The risk of non-payment is small.

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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Group 3 - Satisfactory liquidity factors and other factors which qualify the entity as investment grade. However, the risk factors of non-payment are larger.

None of the financial assets that are fully performing have been renegotiated in the last year.

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements

Figures in Rand 2015 2014

51.8 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 50 is a listing of additional undrawn facilities that the municipality has at its disposal to further reduce liquidity risk (cash).

Liquidity and Interest Risk Tables

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts.

The following tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

June 30, 2015

Non-interest Bearing	0.00 %	-	333,093	-	-	-	-
- Payables from Exchange transactions		-	333,093	-	-	-	-
Variable Interest Rate Instruments		-	28,117,393	-	-	-	-
- Bank Overdraft		-	28,117,393	-	-	-	-
Fixed Interest Rate Instruments		-	1,849,534	1,953,085	4,180,995	15,170,822	6,083,540
Non-current liabilities		-	-	-	4,180,995	15,170,822	6,083,540
- DBSA 61000367	8.63 %	-	-	-	1,909,332	6,799,246	2,678,199
- DBSA 61006899	9.56 %	-	-	-	1,038,382	3,765,695	1,509,011
- DBSA 61006937	11.06 %	-	-	-	1,233,281	4,605,881	1,896,330
Non-current liabilities		-	1,849,534	1,953,085	-	-	-
- DBSA 61000367	8.63 %	-	854,938	897,946	-	-	-
- DBSA 61006899	9.56 %	-	459,555	485,250	-	-	-
- DBSA 61006937	11.06 %	-	535,041	569,889	-	-	-
		-	30,300,020	1,953,085	4,180,995	15,170,822	6,083,540

June 30, 2014

	Note ref	Average effective interest rate	Total	6 months or less	6 - 12 months	1 - 2 Years	2 - 5 Years	More than 5 Years
		%	R	R	R	R	R	R
Non-interest Bearing		0.00 %	10,476,392	10,476,392	-	-	-	-
- Payables from Exchange transactions			356,651	356,651	-	-	-	-
- Payables from Non-exchange transactions			10,119,741	10,119,741	-	-	-	-
Variable Interest Rate Instruments			30,159,496	30,159,496	-	-	-	-
- Bank Overdraft			30,159,496	30,159,496	-	-	-	-
Fixed Interest Rate Instruments			33,660,584	2,145,787	2,276,822	3,802,619	12,018,614	13,416,742
Non-current liabilities			29,237,975	-	-	3,802,619	12,018,614	13,416,742
- DBSA 61000317	10.76 %		-	-	-	-	-	-
- DBSA 61000367	8.63 %		13,139,661	-	-	1,752,884	5,091,371	6,295,406
- DBSA 61006899	9.56 %		7,257,893	-	-	944,805	2,788,139	3,524,949
- DBSA 61006937	11.06 %		8,840,421	-	-	1,104,930	4,139,104	3,596,387
Non-current liabilities			4,422,609	2,145,787	2,276,822	-	-	-
- DBSA 61000317	10.76 %		952,389	463,410	488,979	-	-	-
- DBSA 61000367	8.63 %		1,613,521	784,734	828,787	-	-	-

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements

Figures in Rand					2015	2014
- DBSA 61006899	9.56 %	862,230	418,023	444,207	-	-
- DBSA 61006937	11.06 %	994,469	479,620	514,849	-	-
		74,296,472	42,781,675	2,276,822	3,802,619	12,018,614
					12,018,614	13,416,742

The following table details the municipality's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the municipality anticipates that the cash flow will occur in a different period.

June 30, 2014

Non-interest Bearing	0.00 %	-	29,769,590	-	-	-	-
- Trade Receivables from Exchange Transactions		-	21,930,379	-	-	-	-
- Trade Receivables from Non-exchange Transactions		-	7,837,411	-	-	-	-
- Cash and Cash Equivalents		-	1,800	-	-	-	-
Variable Interest Rate Instruments	1%-3.9%	-	10,114,003	-	-	-	-
- Call Deposits		-	10,114,003	-	-	-	-
		-	39,883,593	-	-	-	-

51.9 Other Price Risks

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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52. Multi Employer Retirement Benefit Information

The municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes.

All councillors belong to the Pension Fund for Municipal Councillors.

Employees belong to a variety of approved Pension and Provident Funds as described below.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these afore-mentioned funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R7 027 448 (2013: R5 928 858) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation.

Defined Benefit Scheme

Cape Joint Pension Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2013. The scheme both operates a Defined benefit and Defined contribution scheme.

The statutory valuation performed as at 30 June 2013 revealed that the fund had a deficit of R 10 million (30 June 2012: R 18 million), with a funding level of 99,7% (30 June 2012: 99,4%). The contribution rate paid by the members (9,00%) and the municipalities (18,00%) is sufficient to fund the benefits accruing from the fund in the future.

Defined Contribution Schemes

Cape Joint Retirement Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2013.

The statutory valuation performed as at 30 June 2013 revealed that the assets of the fund amounted to R 31,425 million (30 June 2012: (R 7,980)) million, with funding levels of 100,2% and 100,0% (30 June 2012: 99,9% and 100%) for the Share Account and the Pensions Account respectively. The contribution rate paid by the members (7,50%) and the municipalities (19,50%) is sufficient to fund the benefits accruing from the fund in the future.

Municipal Councillors Pension Fund:

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2012.

The valuation performed as at 30 June 2012 revealed that the assets of the fund amounted to R 1,183 (30 June 2011: R 1,041) million. The contribution rate paid by the members (13,75%) and the municipalities (15,00%) is sufficient to fund the benefits accruing from the fund in the future.

National Fund for Municipal Workers - Provident Fund:

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 30 June 2013.

The net assets available for benefits were R 6,981 (2012: R 5,646) million.

The statutory valuation performed as at 1 July 2013 revealed that the fund had a deficit of R 65 (30 June 2012: R 63) million, with a funding level of 99,97% (30 June 2012: 99,89%). The contribution rate paid by the members (9%) and the municipalities (18%) is sufficient to fund the benefits accruing from the fund in the future.

Lekana Pension Fund (Previously SAMWU National Provident Fund)

The valuation performed as at 30 June 2008 revealed that the assets of the fund amounted to R 2,455,947 million (30 June 2005: R 1,511,461 million) with funding levels of 100% (30 June 2005: 100%). The contribution rate paid by the members (7,5%) and the municipalities (18%) is sufficient to fund the benefits accruing from the fund in the future. The fund is certified to be financially sound as at 30 June 2008.

Sanlam Umbrella Provident Fund

No details could be provided for the fund and of any valuation performed. The registrar granted valuation exemption to the fund and the date on which the valuation exemption for the fund will terminate is 31 December 2017. The contribution rate paid by the members is 9% and the municipality 18%.

None of the above mentioned plans are State Plans.

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements

Figures in Rand

2015

2014

53. Related parties

Related party relationships:

Councillors:

Ward	Surname	Initials
1	Vos	G.
2	Tiroyame	T.E.
3	Gorrah	V.L.
4	Obuseng	I.
5	Selonyane	P.
Mayor	Moyo	D.P.
Proportional	Du Plessis	H.
Proportional	Hantise	O.E.
Proportional	Kaars	J.C.
Proportional	Johnson	J.

Directors:

	Surname	Initials
Municipal Manager	Itumeleng	T.C.
Chief Financial Officer	Grond	N.M.
Director Corporate Services	Seetile	L.
Director Infrastructure	Ositang	K.N.
Director Community Services	Apools-Sebogo	R.C.
Director Strategic Services	Leserwane	K.P.

Services rendered to related parties

For the Year ended 30 June 2015

	Rates charges	Service charges	Sundry charges	Outstanding balances
Councillors	19,999	89,882	-	50,762
Section 57 Personnel	36,651	41,435	72,137	107,098
50762	56,650	131,317	72,137	157,860

Councillors

Mayor	D.P. Moyo	-	27,203	-	3,838
Councillor : PR	H. Du Plessis	7,665	9,369	-	1,286
Councillor : PR	O.E. Hantise	-	7,854	-	4,695
Councillor : PR	J.C. Kaars	-	32,527	-	-
Councillor : PR	J. Johnson	-	-	-	-
Councillor : Ward 1	G. Vos	10,622	31,074	-	43,866
Councillor : Ward 2	E.T. Tiroyame	973	1,547	-	341
Councillor : Ward 3	V.L. Gorrah	272	3,515	-	273
Councillor : Ward 4	-	-	-	-	-
Councillor : Ward 5	P. Selonyane	467	3,996	-	301

Section 57 Personnel:

Municipal Manager	C. Itumeleng	-	7,711	37,900	22,471
Chief Financial officer	N.M. Grond	-	6,191	34,237	31,127
Director Infrastructure	K.N. Ositang	7,198	9,219	-	1,447
Director Community Services	R.C. Apools-Se	29,453	18,314	-	52,053
Director Strategic Services	K.P. Leserwane	-	-	-	-
		56,650	131,317	72,137	157,860

For the Year ended 30 June 2014

	Rates charges	Service charges	Sundry charges	Outstanding balances
Councillors	9,725	231,189	-	164,258
Section 57 Personnel	11,859	53,182	100,841	81,827
Total Services	21,584	284,371	100,841	246,085

Councillors:

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements

Figures in Rand			2015	2014	
53. Related parties (continued)					
Mayor	D.P. Moyo	-	10,218	-	8,191
Mayor	M.M. Dizina	13	521	-	1,752
Councillor : PR	F. van den Hee	-	6,085	-	208
Councillor : PR	O.E. Hantise	-	1,780	-	12,288
Councillor : PR	J.C. Kaars	307	1,639	-	182
Councillor : PR	J. Johnson	-	19,282	-	55,461
Councillor : Ward 1	G. Vos	9,182	177,167	-	79,380
Councillor : Ward 2	T.E. Tiroyame	128	5,136	-	1,232
Councillor : Ward 3	V.L. Gorrah	40	3,535	-	482
Councillor : Ward 4	I. Obuseng	-	1,993	-	4,759
Councillor : Ward 5	P. Selonyane	55	3,833	-	324
Section 57 Personnel:					
Municipal Manager	T.C. Itumeleng	-	15,395	23,270	31,570
Chief Financial officer	N.M. Grond	-	13,644	69,146	39,504
Director Corporate Services	L. Seetile	-	-	-	-
Director Corporate Services (acting)	C.M. Phuti	1,139	451	-	594
Director Infrastructure	K.N. Ositang	3,389	9,550	8,425	9,259
Director Community Services	R.C. Apools-Se	7,331	14,142	-	900
Director Strategic Services	K.P. Leserwane	-	-	-	-
		21,584	274,153	100,841	237,895

The services rendered to Related Parties are charged at approved tariffs that were advertised to the public. No Bad Debts were written off or recognised in respect of amounts owed by Related Parties.

The amounts outstanding are unsecured and will be settled in cash. Consumer Deposits were received from Councillors, the Municipal Manager and Section 57 Personnel. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

Loans granted to Related Parties

In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004.

Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in notes 31 and 32 respectively, to the Annual Financial Statements.

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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54. Contingencies

Contingent liabilities

Guarantees	-	-
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The municipality did not issue any guarantee during the financial years under review.

Dispute on damages claimed	10,000	10,000
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The municipality is involved in litigation with BK Chabemang emanating from a motor vehicle accident which involved a municipal vehicle. The possible liability amounts to R 10,000. The municipality is defending the case through BBM attorneys. The outcome of the matter is still unknown.

Dispute on damages claimed	20,000	20,000
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The municipality is involved in litigation with Transnet SOC Ltd. Mr Tshepo Hawtrey Gaothaelwe collided with Transnet Isuzu bakkie KB250 DC on 15 May 2012 and the intersection Hendrick Van Eck and Ian Flemming while on duty driving the municipal vehicle a Nissan NP200 (CCF 494 NC). The outcome of the matter is still unknown.

Licensing fees and penalties	20,000,000	20,000,000
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Contrary to section 20(1) of the Environmental Conservation Act (Act 50 of 2003) the municipality's landfill sites have not been issued with a permit by the Department of Economic and Environmental Affairs. In terms of section 29(4), for non-compliance of section 20(1) the municipality may incur a fine to the amount of R 10 million per contravention.

Contingent assets

The municipality was not engaged in any transaction or event during the year under review involving Contingent Assets.

55. Events after the reporting date

No events having financial implications requiring disclosure occurred subsequent to 30 June 2015.

56. Going concern

Management considered the following matters relating to the Going Concern:

(i) During 2015 the Council adopted the 2015/16 to 2016/17 Budget. This three-year Medium Term Revenue and Expenditure Framework (MTREF) to support the ongoing delivery of municipal services to residents reflected that the Budget was cash-backed over the three-year period.

(ii) The municipality's Budget is subjected to a very rigorous independent assessment process to assess its cash-backing status before it is ultimately approved by Council.

(iii) Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash-flow forecast supporting the Budget. The cash management processes is complemented by monthly and quarterly reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted.

(iv) As the municipality has the power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.

Taking the aforementioned into account, management has prepared the Annual Financial Statements on the Going Concern Basis.

57. Reconciliation between budget and statement of financial performance

Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance:

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
57. Reconciliation between budget and statement of financial performance (continued)		
Net surplus per the statement of financial performance	326,358,731	16,646,492
58. Prior period errors		
Corrections were made to prior year figures, details of the corrections are described below:		
58.1 Payables from exchange transactions		
The prior year amount for Payables from exchange transactions has been restated to account for expenditure previously not accrued for at year-end and correction of prior year balances.		
Balance previously reported	356,651	
Expenditure not accrued	273,646	
Bulk purchases	4,655	
Restated balance	634,952	
58.2 Repairs and maintenance		
The prior year amount for Repairs & Maintenance has been restated to account for payables and corrections of amount not accrued for as at 30 June 2014		
Balance previously reported	10,785,772	
Cylinder rental	1,015	
Compacting of waste May & June	200,640	
Vehicle services	25,701	
IMIS extended services	46,289	
Incorrectly capitalised WIP	27,916,387	
Restated balance	=	
58.3 Service charges		
Service charges for the year ended 30 June 2014 has been restated to account for the correction of debtors balances as at 30 June 2014.		
Balance previously reported	209,648,362	
Refuse removal	(8,309)	
Sale of electrical	(12,856)	
Sale of water	(57,651)	
Sewerage and sanitation	44,772	
Restated balance	209,614,317	
58.4 Receivables from non-exchange transactions		
The prior year amount for Trade receivables from exchange transactions has been restated to account for corrections of prior year balances		
Balance previously reported	7,837,411	
Correction of property rates	(517)	
Rental of facilities vodacom debt	(309,688)	
Restated balance	7,527,206	
58.5 Receivables from exchange transactions		
The prior year amount for Trade receivables from exchange transactions has been restated to account for corrections of prior year balances		
Balance previously reported	21,930,378	
Refuse	(8,309)	
Electricity	(12,856)	
Water	(52,768)	
Sewerage	44,771	
Rental of facilities	76,720	

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
58. Prior period errors (continued)		
Restated balance	21,977,936	
58.6 Rental of facilities and equipment		
The prior year amount for Rental of Facilities & Equipment has been restated to account for correction of rent receivable as at 30 June 2014.		
Previously reported	629,829	
Debtor raised for Vidacon	(309,688)	
Other receivables	<u>76,720</u>	
restated balance	<u>396,861</u>	
58.7 Bank overdraft		
The prior year amount for bank overdraft has been restated to account for cancelled cheques and include all accounts of the municipality as at 30 June 2014. The correction of the error(s) results in adjustments as follows:		
Balance previously reported	30,159,496	
cancelled cheques	2,770	
Correction of balances (Olifantshoek account)	(45,820)	
Donations not accrued	(10,000)	
Restated balance	30,106,446	
58.8 Accumulated surplus		
The prior year figures of Accumulated Surplus has been restated to correctly disclose the accumulated surplus held by the municipality as at 30 June 2014. The correction of the error(s) results in adjustments as follows:		
Balance previously reported- Opening balance	975,106,213	
Correction of payables as at 30 June 2013	(1,279,537)	
Heritage assets	74,581	
Bank account	43,633	
Opening balance correction	165,809	
Investment properties	(2,536,070)	
PPE	3,798,931	
WIP	(1,653,799)	
Effect of error on the Statement of Financial Performance	(28,207,391)	
Restated balance	945,180,750	
58.9 Public contributions		
The prior year amount for public contributions has been restated to account for correction of public contributions received as at 30 June 2014. The correction of the error(s) results in adjustments as follows:		
Balance previously reported	31,189,640	
Donations not accrued	10,000	
Restated balance	31,199,640	
58.10 Property rates		
The prior year amount for Property rates has been restated to account for correction of property rates receivable as at 30 June 2014. The correction of the error(s) results in adjustments as follows:		
Balance previously reported	23,623,405	
Correction of receivables balance	(517)	
Restated balance	23,622,888	
58.11 Bulk purchases		
The prior year amount for Bulk purchases has been restated to account for correction of unaccrued bulk purchases as at 30 June 2014. The correction of the error(s) results in adjustments as follows:		
balance previously reported	82,148,872	
Purchases not accrued for	4,656	
Restated balance	82,153,528	

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
58. Prior period errors (continued)		
58.12 General expenses		
The prior year amount for General expenses has been restated to account for correction of cancelled general expenditure as at 30 June 2014. correction of the error(s) results in adjustments as follows:		
Balance previously reported	23,610,358	
Cancelled	(2,245)	
Restated balance	23,608,112	
58.13 Other income		
The prior year amount for Other income has been restated to account for correction of cancelled transactions as at 30 June 2014. The correction of the error(s) results in adjustments as follows:		
Balance previously reported	5,979,080	
correction of errors	(133)	
Restated balance	5,978,947	
58.14 Depreciation and amortisation		
The prior year amount for Depreciation and amortisation has been restated to account for correction of errors as at 30 June 2014. The correction of the error(s) results in adjustments as follows:		
Balance previously reported	54,720,415	
Reversal of depreciation	(240,526)	
Restated balance	54,479,889	
58.15 Property, plant and equipment		
The prior year amount for property, plant and equipment has been restated to account for correction of errors as at 30 June 2014. The correction of the error(s) results in adjustments as follows:		
Balance previously reported	883,665,970	
Amounts incorrectly capitalised (WIP)	(29,570,184)	
Various asset adjustments	4,039,456	
Restated balance	858,135,242	
58.16 Heritage assets		
The prior year amount for Heritage assets has been restated to account fro correction of errors as at 30 June 2014. The correction of the error(s) results in adjustments as follows:		
Balance previously reported	-	
First time recognition of heritage assets	74,581	
Restated balance	74,581	
58.17 Interest earned		
The prior year amount for Interest earned has been restated to account fro correction of errors as at 30 June 2014. The correction of the error(s) results in adjustments as follows:		
Balance previously stated	446,076	
Interest not accrued for	2,188	
Restated balance	448,263	
58.18 Investment property		
The prior year amount for Investment property has been restated to account fo rmisstatements as at 30 June 2014. The correction of the error(s) results in adjustments as follows:		
Balance previously reported	162,966,596	
Prior year correction on infrastructure assets	(2,536,070)	
Restated balance	160,430,526	
58.19 Payables from non-exchange transactions		
The prior year amount for Payables from exchange has been restated to account fo rmisstatements as at 30 June 2014. The correction of the error(s) results in adjustments as follows:		

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
58. Prior period errors (continued)		
Balance previously reported	13,970,134	
Adjustment of opening balance	1,279,538	
Restated balance	15,249,672	

Appendix A
June 2015

Schedule of external loans as at 30 June 2010

Loan Number	Redeemable	Balance at Monday, June 30, 2014 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at Tuesday, June 30, 2015 Rand
DBSA	61000317 30/06/2015	952,388	-	952,388	-
DBSA	61000367 30/06/2021	14,753,182	-	1,613,521	13,139,661
DBSA	61006899 30/06/2021	8,120,124	-	862,231	7,257,893
DBSA	61006937 30/06/2021	9,834,890	-	1,060,954	8,773,936
		33,660,584	-	4,489,094	29,171,490

Development Bank of South Africa

Appendix B

June 2015

Analysis of property, plant and equipment as at 30 June 2015

Cost/Revaluation

Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Under construction Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land	48,437,378	-	-	1,187,000	-	-	49,624,378	-	-	-	-	-	-	49,624,378
Community facilities	118,671,563	12,300	-	-	-	14,657,295	133,341,158	(46,055,643)	-	-	(6,752,409)	-	(52,808,052)	80,533,106
Operational facilities	82,260,117	-	-	-	-	5,453,118	87,713,235	(22,692,322)	-	-	(4,155,116)	-	(26,847,438)	60,865,797
Buildings (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	249,369,058	12,300	-	1,187,000	-	20,110,413	270,678,771	(68,747,965)	-	-	(10,907,525)	-	(79,655,490)	191,023,281
Infrastructure														
Supply/reticulation	-	-	-	7,009,979	-	1,127,629	8,137,608	-	-	-	(19,795)	-	(19,795)	8,117,813
Substation	-	-	-	982,448	-	-	982,448	-	-	-	(2,961)	-	(2,961)	979,487
Electrical panels	-	-	-	270,487	-	-	270,487	-	-	-	(815)	-	(815)	269,672
Transformer	-	-	-	548,707	-	-	548,707	-	-	-	(9,809)	-	(9,809)	538,898
Cables	-	-	-	932,260	-	-	932,260	-	-	-	(16,666)	-	(16,666)	915,594
LV / MV Network	55,730,495	-	-	-	-	-	55,730,495	(29,712,063)	-	-	(1,393,262)	-	(31,105,325)	24,625,170
LV Network	134,904,211	-	-	-	-	-	134,904,211	(62,427,168)	-	-	(5,704,342)	-	(68,131,510)	66,772,701
MV Network	35,794,522	-	-	-	-	-	35,794,522	(18,895,747)	-	-	(723,147)	-	(19,618,894)	16,175,628
Traffic Management	5,801,848	-	-	-	-	8,392,002	14,193,850	(3,205,158)	-	-	(341,724)	-	(3,546,882)	10,646,968
Road Structures	352,701,382	-	-	5,394,097	-	-	358,095,479	(187,171,989)	-	-	(9,936,666)	-	(197,108,655)	160,986,824
Storm Water	19,182,622	-	-	-	-	-	19,182,622	(11,259,184)	-	-	(319,710)	-	(11,578,894)	7,603,728
Bridges, Subways & Culverts	7,417,319	-	-	-	-	-	7,417,319	(3,729,284)	-	-	(123,622)	-	(3,852,906)	3,564,413
Municipal roads	1,282,696	-	-	20,478,137	-	-	21,760,833	(15,673)	-	-	(400,432)	-	(416,105)	21,344,728
Traffic sign	20,170	-	-	-	-	-	20,170	(2,465)	-	-	(4,034)	-	(6,499)	13,671
Kerbing	-	-	-	2,130,621	-	-	2,130,621	-	-	-	(30,471)	-	(30,471)	2,100,150
Collection / Reticulation Network	176,844,380	-	-	20,969,414	-	21,654,369	219,468,163	(112,456,733)	-	-	(4,795,985)	-	(117,252,718)	102,215,445
Sewer Pump Station	29,725,576	-	-	-	-	-	29,725,576	(7,088,081)	-	-	(1,756,216)	-	(8,844,297)	20,881,279
Waste Water Treatment Works	50,806,769	-	-	-	-	-	50,806,769	(20,379,268)	-	-	(2,612,249)	-	(22,991,517)	27,815,252
Waste purification works	-	-	-	13,398,787	-	-	13,398,787	-	-	-	(239,526)	-	(239,526)	13,159,261
Pump station	-	-	-	2,606,998	-	-	2,606,998	-	-	-	(46,605)	-	(46,605)	2,560,393
Underground chamber	-	-	-	110,411	-	-	110,411	-	-	-	(1,974)	-	(1,974)	108,437
Tanks	-	-	-	146,767	-	-	146,767	-	-	-	(2,624)	-	(2,624)	144,143
Meter	-	-	-	111,341	-	-	111,341	-	-	-	(1,990)	-	(1,990)	109,351
Water Pump Stations	7,669,970	-	-	-	-	-	7,669,970	(4,190,558)	-	-	(365,127)	-	(4,555,685)	3,114,285
Distribution / Reticulation Network	157,882,996	-	-	5,495,047	-	14,656,793	178,034,836	(102,412,756)	-	-	(8,077,067)	-	(110,489,823)	67,545,013
Storage	96,370,737	95,203	-	-	-	-	96,465,940	(24,551,320)	-	-	(3,427,355)	-	(27,978,675)	68,487,265
Boreholes	6,787,098	-	-	-	-	-	6,787,098	(4,285,950)	-	-	(301,089)	-	(4,587,039)	2,200,059
Water Treatment Works	24,463,182	-	-	-	-	-	24,463,182	(10,644,078)	-	-	(1,132,676)	-	(11,776,754)	12,686,428
Bulk distribution	28,652,895	-	-	-	-	-	28,652,895	(22,922,316)	-	-	(1,432,645)	-	(24,354,961)	4,297,934
Dams & Weirs	2,239,904	-	-	-	-	-	2,239,904	(1,259,946)	-	-	(27,999)	-	(1,287,945)	951,959
	1,194,278,772	95,203	-	80,585,501	-	45,830,793	1,320,790,269	(626,609,737)	-	-	(43,248,583)	-	(669,858,320)	650,931,949

June 2015

Analysis of property, plant and equipment as at 30 June 2015	
Cost/Revaluation	Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Under construction Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

Appendix B

June 2015

Analysis of property, plant and equipment as at 30 June 2015

Cost/Revaluation							Accumulated depreciation						
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Under construction Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

Intangible assets

Intangible assets	1,854,323	2,884,596	-	-	-	-	4,738,919	(720,938)	-	-	(653,938)	-	(1,374,876)	3,364,043
	1,854,323	2,884,596	-	-	-	-	4,738,919	(720,938)	-	-	(653,938)	-	(1,374,876)	3,364,043

Investment properties

Land	160,127,526	-	-	-	-	-	160,127,526	-	-	-	-	-	-	160,127,526
	160,127,526	-	-	-	-	-	160,127,526	-	-	-	-	-	-	160,127,526
Total	1,628,704,968	18,643,447	-	81,772,501	-	65,941,206	1,795,062,122	(703,808,285)	-	-	(58,214,507)	-	(762,022,792)	1,033,039,330

Accumulated depreciation

Appendix B

June 2015

Analysis of property, plant and equipment as at 30 June 2011

Cost/Revaluation						Accumulated depreciation							
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

Appendix B

June 2015

Analysis of property, plant and equipment as at 30 June 2011

Cost/Revaluation						Accumulated depreciation							
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

Appendix D

June 2015

Segmental Statement of Financial Performance for the year ended Prior Year Current Year

Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
Municipality						
21,872,769	30,438,058	(8,565,289)	Executive & Council/Mayor and Council	24,102,318	87,711,068	(63,608,750)
26,627,913	21,172,071	5,455,842	Budget & Treasury Office	400,011,171	28,698,275	371,312,896
2,745	10,646,772	(10,644,027)	Corporate Services	-	12,582,752	(12,582,752)
21,267,691	45,483,926	(24,216,235)	Community Services	21,788,533	57,817,623	(36,029,090)
195,268	8,962,210	(8,766,942)	Shared Services	15,861	12,097,699	(12,081,838)
261,240,369	169,649,834	91,590,535	Technical Services	281,833,294	195,352,854	86,480,440
331,206,755	286,352,871	44,853,884		727,751,177	394,260,271	333,490,906
Municipal Owned Entities						
Other charges						

Appendix E(1)

June 2015

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2015

	Current Year 2015 Act. Bal.	Current Year 2015 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
	Rand	Rand	Rand		
Revenue					
Property rates	391,502,832	177,803,445	213,699,387	120.2	
Service charges	269,758,997	277,931,433	(8,172,436)	(2.9)	
Rental of facilities and equipment	253,651	715,336	(461,685)	(64.5)	
Interest received	1,120,196	500,000	620,196	124.0	
Agency services	2,473,165	2,177,465	295,700	13.6	
Licences and permits	830,150	875,967	(45,817)	(5.2)	
Other income	2,482,673	2,358,361	124,312	5.3	
Public contribution and donations	10,519,728	38,268,299	(27,748,571)	(72.5)	
Government grants and subsidies	48,116,753	64,851,896	(16,735,143)	(25.8)	
Fines, penalties and forfeits	362,648	314,374	48,274	15.4	
	727,420,793	565,796,576	161,624,217	28.6	
Expenses					
Personnel	(103,681,432)	(111,418,580)	7,737,148	(6.9)	
Manufacturing -	-	-	-	-	
Employee costs	-	-	-	-	
Remuneration of councillors	(2,793,291)	(2,890,272)	96,981	(3.4)	
Administration	-	-	-	-	
Transfer payments	-	-	-	-	
Depreciation	(58,213,895)	(54,838,704)	(3,375,191)	6.2	
Impairment	-	-	-	-	
Amortisation	-	-	-	-	
Impairments	(66,635,371)	(6,848,594)	(59,786,777)	873.0	
Finance costs	(3,352,373)	(3,773,618)	421,245	(11.2)	
Repairs and maintenance	(15,700,946)	(18,233,711)	2,532,765	(13.9)	
- General	-	-	-	-	
Bulk purchases	(96,890,964)	(111,220,611)	14,329,647	(12.9)	
Contracted Services	(6,338,482)	(6,534,074)	195,592	(3.0)	
Transfers and Subsidies	(9,502,478)	(14,608,551)	5,106,073	(35.0)	
Cost of housing sold	-	-	-	-	
General Expenses	(34,224,504)	(43,536,435)	9,311,931	(21.4)	
	(397,333,736)	(373,903,150)	(23,430,586)	6.3	
Other revenue and costs	-	-	-	-	
Fair value adjustments	-	-	-	-	
Gains or losses on biological assets and agricultural produce	-	-	-	-	
Net surplus/ (deficit) for the year	330,087,057	191,893,426	138,193,631	72.0	

Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003
June 2015

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed / withheld		Reason for delay/ withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Mar	Jun		Yes/ No	
MIG Projects	MIG	4,638,000	7,000,000	-	-	2,370,273	2,649,477	811,670	3,999,429	-	-	N/A	Yes	N/A
Library	Province	-	495,000	495,000	-	104,947	42,643	118,635	1,067,945	-	-	N/A	Yes	N/A
COGSTA	Province	2,204,745	996,820	-	-	1,616,788	-	454,312	112,704	-	-	N/A	Yes	N/A
Equitable Share	National Treasury	8,726,000	7,348,000	5,971,000	-	272,206	781,584	468,532	905,883	-	-	N/A	Yes	N/A
INEP		-	3,500,000	-	-	608,874	717,383	366,426	1,807,317	-	-	N/A	Yes	N/A
Housing	Province	1,089,422	1,844,859	-	832,000	430,296	722,173	946,912	666,900	-	-	N/A	Yes	N/A
MSIG	DPLG	934,000	-	-	-	377,330	-	-	556,670	-	-	N/A	Yes	N/A
MWIG	DWAF	-	-	-	-	44,919	384,092	417,757	26,192	-	-	N/A	Yes	N/A
EPWP	Province	400,000	300,000	300,000	-	276,281	91,000	274,343	358,376	-	-	N/A	Yes	N/A
FMG	National Treasury	1,600,000	-	-	-	-	7,250	911,384	681,366	-	-	N/A	Yes	N/A
		19,592,167	21,484,679	3,766,000	832,000	6,101,914	5,395,602	1,769,971	10,182,782	-	-			

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.